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FINANCIAL TIMES

PUBLISHED IN LONDON AND FRANKFURT

Tuesday April 1 1980

*** 20p

Travis & Arnold
Timber, Building Materials, Heating and Plumbing Equipment for the Construction and Allied Trades. Northampton 52424.

NEWS SUMMARY

GENERAL

Students in talks over hostages

Hopes that the Americans being held hostage in Tehran by Iranian students might soon be released rose last night when President Abolhasan Bani-Sadr met three of the students' leaders.

At the same time, President Jimmy Carter cancelled an economic speech in Washington and summoned his National Security Council to discuss developments in the 139-day-old hostage crisis.

Informed reports from Tehran said the US had warned of tough diplomatic and economic retaliation within a few days unless the Iranian students agreed to release the hostages.

The Iranian President met the students' leaders after a full session of the ruling revolutionary council. Today he is due to address a mass rally to mark the Islamic Republic's first anniversary. Page 4.

Heart man dies

Transplant patient Ronald Marney, 50, died at Harefield Hospital, London, two months after receiving the heart of a 29-year-old woman.

Action on waste

Government plans to reduce wasteful spending in the National Health Service and local authority social services were outlined in the Commons by Mr. Patrick Jenkin, Social Services Secretary. Page 8.

Food tax

Agriculture Minister Mr. Peter Walker has threatened to impose a unilateral tax on food imports. Page 2.

£132,000 award

Stourbridge 21-year-old, who suffered brain damage in a car crash when a schoolgirl was awarded £132,000 agreed damages at Birmingham. She cannot train for teaching, as she planned.

Arson move

Police investigating arson at holiday homes in Wales said several men were likely to appear in court at Dolgellau, Gwynedd, today.

Rig check

Special safety checks are to be made on a drillmaster rig being converted at Stornoway, Outer Hebrides, which is of the same design as the platform which capsized in the North Sea last week.

Rates rise

Domestic rates in England and Wales will increase by an average of more than 26 per cent, says the Rating and Valuation Association. Page 7.

Shah setback

Surgeons who removed the deposed Shah's spleen fear cancer may have spread to his liver.

April weather

Weather during April is expected to remain changeable, with above average temperatures. Forecast, Back Page.

Briefly

Jesse Owens, the black American athlete who won four gold medals in the 1936 Berlin Olympic Games, died in Arizona of lung cancer, aged 85.
France is to take in another 5,000 refugees from Indo China, raising its total to 90,000 since Saigon fell in 1975.
Ian Sinclair, Australia's former Primary Industry Minister, is to face nine charges of misconduct in his business affairs.

BUSINESS

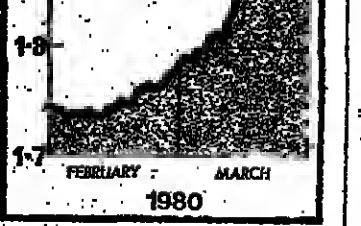
Equities rally; Gold up \$19

EQUITIES rallied on hopes of an early end to the steel strike. The FT 30-share index rose 5.5 to 437.0. Golds eased, with the Gold Mines index falling 5.7 to 273.4.

GILTS also rallied. Shorts improved by up to 7/16 and longs by up to 1/4. The Government Securities index was up 0.56 at 64.55.

GOLD rose \$19 to close at \$504 in London.

DOLLAR was very firm, closing at DM 1.9510 (DM 1.9290).



DOLLAR against the **DEUTSCHE MARK**
FEBRUARY 1980 MARCH

and SwFr 1.8510 (SwFr 1.8250). Its trade-weighted index rose to 90.5 (90.3).

STERLING lost one cent against the dollar, closing at \$2.1640 (\$2.1760), but its trade-weighted index rose to 90.8 (90.4).

WALL STREET was down 12.26 at 777.43 near the close.

U.S. COMMODITY Futures Trading Commission has started an official investigation into last week's silver crisis. Back Page.

BRITISH GAS has bought the Rough gas field in the North Sea and plans to spend millions of pounds on converting it into a storage tank. Back Page.

CITY has set up a working party to study the feasibility of establishing a U.S.-style interest rate futures market. Back Page.

SHARES in U.S. restaurant and motel chain Howard Johnson re-opened for trading on Wall Street after being suspended for more than two days on doubts about the takeover bid by the UK Imperial Group.

MAN of West Germany won Danish Government approval to increase its 49.73 per cent shareholding in Burmeister and Wain's diesel interests to 96.5 per cent.

UK'S LARGEST stockjobbing firm Wedd Durlacher Mordant plans to buy out its only outside partner, Rothschild Investment Trust. Page 6.

WORLD SALES of new cars will rise by just over 29 per cent from 30.28m to 39.07m by 1985, according to a forecast from the Economic Models consultancy group. Production will rise from 31.35m to 40.16m over the same period. Page 5.

EASTERN EUROPE has transformed its 1978 overall trade deficit of \$5bn into a \$200m surplus last year. Sales to the West went up 23 per cent, according to a UN survey. Page 5.

COMPANIES

OCEAN TRANSPORT and Trading, the Liverpool-based shipping group showed 1979 pre-tax profit of £19.7m, almost double the previous figure. Lex; Back and Page 24.

GLYNWED, the building and consumer products group, reported record pre-tax profits in 1979 of £18.68m (£16.08m) on sales of £245.52m (£216.44m). Page 26; Lex, Back page.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

Transport 3pc 19.88 577 + 14	Treasury 14pc 1906	(£30 p.c.) 540 + 14
Assoc. Biscuits 81 + 5	Barger 14 + 3	Beecham 118 + 4
Booker McConnell 233 + 6	Bryant 68 + 3	Camrex 35 + 3
Davis (Godfrey) 175 + 5	Eagle Star 173 + 6	Feet Ltd & Bldg 54 + 3
Freemans (London SW9) 154 + 4	Grattan Warehouse 79 + 6	GKN 258 + 5
Harris Queensway 186 + 2	ICI 368 + 4	Low & Bonar 310 + 15
Matthews (B.) 320 + 10	Royal Insurance 126 + 8	Sylkene 58 + 3
UDT 108 + 6	Barkley Exports 70 + 5	Charterhall 122 + 7
Ashton Mining 219 + 9	Central Pacific Mins. 226 + 6	Conzinc Rotorua 226 + 6
Rustenburg Platinum 133 + 9	Southern Pacific Pet. 725 + 113	FALLS:
Howard Tenens 65 + 4	Wigfall (L.) 203 + 7	Attack 198 + 6
Guthrie 875 + 37	Doornfontein 484 + 23	Sulfamint 610 + 24

Union leaders accept Lever inquiry formula

Hopes for steel peace

BY CHRISTIAN TYLER, LABOUR EDITOR

STEEL UNION leaders expect to be able to call off the 13-week national strike over pay by the weekend, following the verdict yesterday of a three-man committee of inquiry which added 11 per cent to the British Steel Corporation's final offer.

Leaders of the main trade unions involved will today recommend the committee's findings to their governing bodies.

But Mr. Bill Sims, of the Iron and Steel Trades Confederation, and Mr. Hector Smith, of the National Union of Blastfurnacemen, will have a hard time convincing their rank-and-file to accept a guaranteed national increase of only 11 per cent against the BSC's offer of 10 per cent.

Mr. Smith warned last night that many blastfurnacemen

would be reluctant to go back to work after the strike.

The first reaction of ISTC strike leaders around the country was that the award was too little to get the men back to work—a measure of the task facing Mr. Sims today.

Even with a return to work on Thursday, it could take up to six weeks for ironmaking and most steelmaking to resume. Re-rolling of stock, and electric arc steelmaking—about 20 per cent of BSC's raw steel output—could begin almost immediately.

Ministers, who have successfully kept aloof from the whole affair, seemed privately relieved and satisfied with the outcome.

They argued that the Government's determination to stay out of wage bargaining had

been proved to other union leaders, in the face of what has become the longest national strike for decades.

In a unanimous verdict clearly designed to bring the strike to a speedy end without further stretching the loss-making BSC's finances, the inquiry committee, headed by Lord Lever, added 1 per cent to the general increase, and 0.5 per cent to the 4 per cent minimum bonus payment for which steelworkers will qualify once they have negotiated job losses and productivity improvements at works level.

The net effect, if all works clinch productivity deals, will be to raise earnings by just under 16 per cent, compared with the BSC's 14.4 per cent offer. Mr. Sims claimed that an agreement on pensions and holidays would another 1 per

cent, but this was denied by Mr. Bob Scholey, BSC's chief executive.

BSC will have to find about £180m over the next 12 months to meet the bill, virtually all of it from negotiated redundancies and new working practices.

The 130,000 strikers, some of whom have suffered considerable hardship, will have lost about £1,300 each on average, in return for a guaranteed increase in earnings of just over £10 a week.

But if local bargaining produces the results forecast by BSC, earnings would increase by up to £20 a week in some areas. The strike has cost the BSC over £10m a week on top of its other losses, and the initial loss

Continued on Back Page

KEY DATES IN THE 13-WEEK DISPUTE

Dec. 3, 1979: BSC offers 2 per cent nationally (fulfilling previous undertaking to consolidate pay supplements) and up to 10 per cent for local productivity. Strike threatened.	Dec. 28: BSC adds another 1 per cent nationally.	Jan. 14: Craft and general union rank and file reject 10 plus 4.
Jan. 2, 1980: Strike begins.	Jan. 7: Len Murray and Sims ask for 8 per cent, plus 5 per cent "on account" for local productivity. BSC offers 8 plus 4 per cent in advance for one quarter.	Feb. 22: ISTC and NUB ask for 15 per cent plus guaranteed 5 per cent.
Dec. 7: Strike called for January 2.	Jan. 8: Negotiations collapse on 9 plus 4 per cent.	March 5: Joint union claim drawn up for 14 plus 5 per cent.
Dec. 22: National offer increased to 5 per cent in return for suspending guaranteed week payments.	Jan. 10: Craft union leaders accept outline 10 plus 4 per cent.	March 12: Talks collapse after three days. BSC repeats 10 plus 4 per cent final offer.
		March 31: Committee of inquiry recommends 11 plus 4.5 per cent (equals 16 per cent compound).

Carter backs budget cuts with 'veto' plan

BY DAVID BUCHAN IN WASHINGTON

PRESIDENT Jimmy Carter yesterday formally sent to Congress his reworked 1980-81 Federal budget, which calls for \$15bn (£6.9bn) less public spending than was proposed last January.

His plan would take the budget out of the red for the first time in 12 years.

A balanced budget was the centrepiece of the new economic strategy which Mr. Carter announced on March 14 to deal with an accelerating inflation rate.

Other prime elements in the broad counter-inflation package were consumer credit curbs by the Federal Reserve Board and a tougher application of the President's voluntary incomes policy.

Mr. Carter's economic advisers unveiled new spending cuts which include \$2.4bn pared from the current 1979-80 budget. Mr. James McIntyre, director of the budget, said the \$15bn expenditure reduction alone would put

the 1980-81 budget into a small surplus of \$502m. He said estimated receipts from new proposed taxes — on imported oil and a withholding tax on dividends and interest — would mean a \$16.5bn surplus.

Skirting the revised budget, Mr. Carter said that if Congress did not go along with a tighter budget he would use his legislative veto. If that too was overridden, he would then seek "a temporary grant of extraordinary budget restraining powers."

Spelling out the revised assumptions on which the revamped budget is based, Mr. Charles Schultz, chairman of the Council of Economic Advisers, said the prospect was for higher inflation this year, a 12.8 per cent increase in the Consumer Price Index from the fourth quarter of 1979 to the last quarter of 1980.

Only two months ago, the Administration estimated 10.7 per cent, and though it has

shifted its predictions, they have not been all that realistic.

Mr. Carter's advisers seemed confident yesterday that the spending cuts squared broadly with action taken already by the House of Representatives budget committee and corresponding action on the Senate side.

However, the financial markets, looking to the Administration to take an unambiguous lead in the inflation fight, will probably not rest easy until a balanced budget is finally passed.

Mr. William Miller, Treasury Secretary, held out the possibility of a tax cut only when a restrictive budget was passed and if it was warranted by economic conditions later in the year.

Scope for a tax cut exists if the Administration's projected revenue estimates from the two proposed taxes are to be believed.

BL agrees to sell MG plant

BY JOHN GRIFFITHS

BL yesterday agreed in principle to sell its MG plant at Abingdon to an Aston Martin consortium. The consortium will have an exclusive licence to use the MG name.

A joint statement, issued after talks in London between Mr. Ray Horrocks, BL's managing director, and consortium leaders said: "Both parties look forward to completing the agreement and thereby providing the opportunity for continuity of production and employment at Abingdon."

Mr. John Symonds, Aston Martin's managing director, has said that the consortium would seek to maintain MGB production at the rate of about 600 a week. This should mean that virtually all the 800 work force at Abingdon directly engaged in MG production will be retained.

BL will now halt plans for a Triumph sports car-based model for the U.S., MG's main market, as a successor to the MGB. BL will not now be able to use, as it originally hoped, the MG name on sporty versions of yet-to-be-introduced saloon models, such as the LC 10 and Mini Metro.

Instead, providing the detailed problems of component supply, marketing and financing are resolved, the consortium will continue to produce the existing MG model.

The model is to be equipped with BL's "O" series engine. Under U.S. emissions legislation, the existing MGB engine will become illegal at the end of this year.

While BL has done much of the development work to re-engine the existing car, it believes another 12 months is needed to have versions ready for sale. This means there is now considerable urgency for

the deal to be finalised if the MG is not to be absent from the U.S. market for months.

The consortium views the "O" series MGB as a stopgap and plans to produce its own, new model within about three years.

BL has agreed, in principle, to guarantee component supplies for the next two years at least. This is vital to the operation. Abingdon has always been only an assembly plant. Bodies are supplied from Pressed Steel Fisher at Swindon, engines from Longbridge and other principal components from Cowley.

While there is yet no formal agreement on marketing, it is almost certain the consortium will wish to conclude a deal for its cars to be sold through BL's 419-strong U.S. dealer network.

Dollar up to 2-year high

BY DAVID MARSH

THE DOLLAR rose to its highest overall level for more than two years yesterday, boosted by further increases in U.S. interest rates.

It made sharp gains, particularly against the Deutsche Mark and Swiss franc in spite of further heavy support for their currencies by the West German and Swiss central banks.

With three-month Eurodollar rates reaching a record 20 1/4 per cent yesterday, both the German and Swiss monetary authorities are coming under growing pressure to increase further their interest rates in defence of their currencies.

Sterling again held up fairly well, falling 1 cent to \$2.1640 against the dollar but firming against Continental currencies.

Continued on Back Page

Current cost accounting rules agreed

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

BRITAIN yesterday became the first country in the world to insist on a new inflation accounting system, known as current cost accounting (CCA). The system is prescribed in a mandatory accounting standard issued by the accountancy bodies. It will apply to most listed and unlisted large companies. Any company which fails to comply faces a qualified audit report.

The new accounting system is set out in an accounting standard known as SSAP 16, and will apply to financial statements for all accounting periods ending on or after January 1, 1980.

It has been developed after more than a decade of controversy over the best method of removing the distortions caused by inflation from companies' financial statements, and has the support of the Government.

Historic cost accounts will also continue to be provided for the foreseeable future, but CCA seems likely to become widely accepted over the next few years.

Under the SSAP 16 method of accounting, companies will report much lower profit figures. City stockbrokers Phillips and Drew, and W. Greenwell calculates that 1979 reported pre-tax profits of large quoted companies would have been about a third lower under the CCA method.

In 1980 Phillips and Drew expects that pre-tax profits will generally be about 40 to 45 per cent lower. As a result, the broking firm says that almost half of the companies affected may be paying dividends which are not fully covered by CCA earnings.

In some cases, the introduction of CCA may encourage companies to declare smaller dividends than they would have otherwise.

It is estimated that the standard will be mandatory for between 5,000 and 6,000 companies in the UK and Ireland. These represent less than 1 per cent of the total number of registered companies.

Transition

However, small companies will also be encouraged to adopt similar provisions. Mr. John Nott, the Trade Secretary, said yesterday that he hoped the transition to current cost methods could be made as rapidly as possible. He gave a warm welcome to SSAP 16.

Although SSAP 16 is a mandatory ruling, the accountancy bodies do not claim that it is

necessarily the final answer to the problem of how best to account for changing price levels. They have, nevertheless, concluded that there must now be a period of three years during which no further major changes are introduced.

Mr. Nott said that, while it was recognised that there was a need for a familiarisation period, "the Government hopes that this need will not be unduly protracted, and that, meanwhile, users of accounts will make the fullest possible use of current cost information in their decisions and in assessing company performance."

He went on to say that the Government would be publishing a Green Paper later this year on the matter of inflation accounting and business profits.

Companies affected by SSAP 16 are given three choices on how to account for inflation. Mr. Tom Watts, chairman of the profession's Accounting Standards Committee, predicted yesterday that the vast majority

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Features, Page 22

would continue to publish their main accounts on the historic cost basis, and show CCA figures in addition. However, some companies may take advantage of the option to publish their main accounts on a CCA form, while publishing certain historic cost figures in addition.

Nationalised industries are covered by the standard, formally ending a situation in which some of these bodies have been making their own highly controversial adjustments for inflation.

Mr. Douglas Moppeth, chairman of the steering group, which has produced SSAP 16, said yesterday that the new standard will be the foundation for future development of accounting in the UK. "Current cost accounting represents a major change in the capital maintenance concept underlying the calculation of profit, and enables management to use the method for management purposes to achieve realistic information for decision making."

"This method of accounting does not of itself alter the cash flow of a business; what it does do is provide for management a means of setting aside funds required to maintain the physical assets representing the operating capability of a business in an organised way, and which can be understood by the user in the annual accounts."

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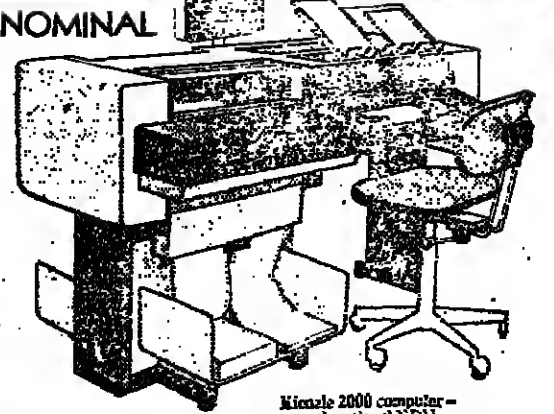
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FT 124

EUROPEAN NEWS

Spain moves to protect ailing banks

BY ROBERT GRAHAM IN MADRID

THE SPANISH Government has approved an important series of legal and financial measures designed to aid banks in difficulties. The principal measure involves a substantial increase in the deposit guarantee fund to protect small depositors.

The measures have been under consideration for almost six months but have faced political and legal hurdles. The Governor of the Bank of Spain, Sr. Jose Ramon Alvarez Rodenas, has been among those insisting on quick agreement.

He was concerned that legislation be approved to meet the possibility of banks announcing losses in their 1979 accounts which must be presented before June. At least four, and perhaps as many as

10 among the 108 commercial and industrial banks are understood to be in such a position.

The deposit guarantee fund was set up in 1977 to guarantee depositors up to Pta 500m (\$7.1m) each. It was funded on a one-off basis with contributions from the banks. Under the new mechanism, the sum guaranteed will be raised to Pta 750m (\$10.7m) and the fund will be enlarged by the introduction of an annual quota contribution.

This will be on the basis of one per 1,000 of each bank's total deposits. In addition, the Bank of Spain will match the funds coming from the banks. It is understood that the total funding available each year in this form will be some Pta 12bn (\$17bn).

The enlargement of this fund was considered a more satisfactory means of dealing with banks in difficulties than to continue with the so-called "bank hospital," the Corporation Bancaria. This was formed in early 1978 on a 50-50 basis between the private banks and the Bank of Spain, with a capital of Pta 500m.

The "hospital" was to administer banks in difficulties, hoping eventually to refloat them and sell them back to the private sector. So far, four banks have been absorbed in this way, plus one subsidiary and only the latter has been sold off so far.

The banks were reluctant to have the Corporation Bancaria enlarged, arguing that it was difficult to persuade share-

holders to fund ailing banks in this way. The more acceptable system was considered to be the enlarged deposit guarantee fund which has been modelled on the American example.

These funds will also aid either the ailing bank to revive or to assist another bank to take it over. The Bank of Spain was anxious that there should be proper legal mechanism to ensure that any banks seeking funds be first fully inspected.

Another change in the law waives previous provisions on necessary quorums and notice to shareholders on the holding of bank boards. As a result, snap decisions can now be made by the shareholders and the banking authorities have powers to force the pace.

Commission calls off Comecon talks

By John Wyles in Brussels

RELATIONS between the EEC and the Council for Mutual Economic Assistance (Comecon) are set to enter another chilly phase following a move by the European Commission to call off top level talks due this month on a working agreement between the two organisations.

Exchange between the two have featured a great deal of verbal jousting, shadow boxing and little progress since they began in February, 1975. In essence, Comecon has been concerned to regulate the EEC's bilateral trading arrangements with East European countries.

The Community has consistently refused to accept this, arguing that Comecon does not have organisational powers over its members comparable to that of the European Commission over the Nine and that to allow Comecon competence over East-West European trade matters could mean increasing Soviet control over its satellites.

After a long fall in negotiations, Mr. Wilhelm Haferkamp, the Commission's vice-president responsible for external relations, tabled some "compromise" EEC proposals in Moscow last November and agreed to meet Mr. Nikolai Feddeev, the Comecon Secretary-General, for further talks here this month.

In the meantime a group of "experts" has been trying to assemble a draft agreement during meetings in Geneva. However, so little progress has been made that Mr. Haferkamp has now told Comecon that he sees little sense in holding a meeting at senior political level this month.

The Commissioner complains in his letter that Comecon has not offered any clear sign of movement towards the EEC's position.

Last November in Moscow, the EEC went much further than before in indicating that it was willing to include in any agreement with Comecon some of the basic principles which should govern its bilateral trading arrangements with Comecon countries.

The Community said it would agree to include a statement that agreements with individual Comecon members should cover most favourable national treatment, the removal of obstacles to imports, safeguard provisions and general trade arrangements.

The Community did not, however, alter its basic position that substantive trade matters should be dealt with bilaterally with individual Comecon countries.

Both the Commission and the Council have been headlong for legal confrontation with the EEC Commission about whether it has the right to pay more, not less, into the Community budget as part of a move to promote British food exports.

EEC Farm Ministers meeting in Brussels last week turned down a demand by Mr. Peter Walker, the UK Minister, that he be allowed to introduce immediate import taxes and export subsidies in British food trade. This would offset the strength of the rising pound and would prevent UK prices from falling.

Mr. Walker, in a statement to the House of Commons yesterday, said he had refused to allow the extension of an EEC regulation which would block this move. Should he carry out his threat, made last week, to attempt to introduce the subsidies and taxes (known as monetary compensatory amounts) unilaterally, a legal battle with the Commission would appear inevitable.

Both the Commission and the Council have insisted that in the absence of a regulation, the Commission has ultimate authority.

The irony of the situation, which is not lost on Britain's EEC partners, is that the new MCA's proposed by Mr. Walker would probably increase Britain's net contribution to the Community budget.

The recent rise of the pound should under normal circumstances, cut the price of food imported—welcome news for Britain, which imports twice as much food from the EEC as it exports, and three times as much from non-EEC countries as it exports.

But Mr. Walker is insisting that British consumers continue to pay the old prices. The difference should be paid, in import taxes, into the EEC budget.

Turkey seeks arms cash from migrants

BY METIN MUNIR IN ANKARA

TURKEY HAS devised an unorthodox method for securing funds to buy arms. Nearly 800,000 of its expatriate workers are being offered the option of buying their way out of compulsory military service.

The price is the equivalent of 440,000 Turkish lira (\$2,840) in the currency of the country where the worker is employed.

The funds will be deposited with the central bank, exclusively for importing military equipment.

Mr. Suleyman Demirel, the Prime Minister, appears to believe the option will be taken up by the majority of workers. He said he expects an annual inflow of DM 800m (\$14m) under the new law, published on Sunday.

Mr. Demirel gave the estimate in Deutschemark because 75 per cent of Turkish expatriates work in West Germany.

"Before anybody helps us," said Mr. Demirel, "we have to show that we are doing our utmost to help ourselves."

Turkey's defence import requirement is estimated at \$800m (\$142m) this year.

The three-year embargo on the transfer of U.S. military equipment to Turkey, which was lifted 19 months ago, and the country's acute balance of payments problems have reduced the army's effectiveness to an alarming extent.

This is underlined in a recent U.S. Congress report on Turkey: "The Turkish armed forces have been weakened to the point where they would find it difficult to fulfil their NATO responsibilities."

U.S. officials estimated that nearly 50 per cent of Turkey's military equipment is in need of repair and is difficult to operate.

To apply for military service



Mr. Suleyman Demirel

ment in instalments is possible. Workers will be subject to two months' basic training, instead of serving the full 20 months and facing loss of employment.

● Turkey's trade deficit grew by a record 184 per cent in the first two months of this year. It reached nearly \$538m, according to preliminary official statistics.

Imports were \$1,006m, an increase of more than 50 per cent. The figures reflect the Government's desire to increase the inflow of raw materials and intermediary goods to boost manufacturing capacity.

Exports grew by a minimal 1.1 per cent, reaching \$470m. In view of credit commitments from Western states and institutions, the Government expects minimum imports of \$7.5bn this year and may go as high as \$7.9bn. Imports last year totalled \$5.2bn.

Anglo American Industrial Corporation Limited

(Incorporated in the Republic of South Africa)

Review by the Chairman Mr. G. W. H. Relly for the year ended 31 December, 1979

1979 results

Reflecting the general recovery in the South African economy, Amic's net earnings rose by a highly satisfactory 63.2 per cent to reach R85.5 million in 1979. Earnings per share rose by 62.6 per cent from 195.1 cents to 317.2 cents per share. These figures exclude the earnings of certain foreign subsidiaries where there is uncertainty regarding the recovery of profits.

Amic's five major subsidiaries all achieved significant profit increases in 1979. The group's profits were enhanced by the inclusion of a full year's profits attributable to the increased interest in Mondi Paper Company and to the excellent results of the new subsidiary, African Products. Amic's investment portfolio also performed well with investment income rising to R11.72 million. Amic's export performance was again highly encouraging, with the export revenues of the group's subsidiaries and major investments increasing by nearly 45 per cent to R230 million, reflecting the further development and penetration of export markets for group products.

The interim dividend was increased by 7.5 cents to 32.5 cents per share and the final dividend by 17.5 cents to 72.5 cents per share resulting in a 31 per cent increase in the total dividend for the year from 80 cents to 105 cents, with the dividend cover rising from 2.4 to 3.0 times. This higher retention was considered necessary in view of the continuing high rate of inflation, the increased working capital requirements arising from improved business conditions and the major capital expansions being undertaken by group subsidiaries, particularly Mondi and Scaw Metals. Mondi expects to commission a fourth paper machine costing some R70 million later this year and a fifth paper machine is scheduled for installation in 1981 while Scaw is proceeding with the construction of a new bar and section mill, blast plant and other capital works at a total cost of some R35 million in current money terms.

The market value of the group's listed investments at December 31 1979 was R138.8 million, reflecting a 19.2 per cent appreciation over book value of R47.4 million. Despite the disposal of Amic's interest in Romatex Limited subsequent to the financial year end, market values have increased further and the group's listed investments at March 10 1980 were valued at R173.1 million. Unlisted investments with a book value of R34.9 million were valued by the directors at R56.7 million at December 31 1979.

With effect from January 1 1979 Amic disposed of its shareholding in S.A. Forest Investments (Safi) to Mondi in return for the issue of an additional nine million shares by Mondi to Amic. This had the effect of increasing Amic's equity interest in Mondi to 62.65 per cent and reflected the further development of Mondi as an integrated manufacturer of timber and paper products. I am pleased to report that Safi achieved a substantial turnaround in the year under review and earned profits of R5.3 million.

The decade has seen Amic's earnings grow by an average 27 per cent a year from an annualised R10.3 million in 1970 to R85.5 million in 1979. The size of the group has been considerably expanded, and total capital employed has risen from R182 million to R579 million over the same period. This growth has been achieved despite the economic difficulties of the mid seventies and is considered satisfactory.

Economic review

In my previous review I expressed the hope that the rate of economic expansion in 1979 would be moderately higher than in 1978. This proved to be the case, though economic performance was hesitant, with periods of relative strength and weakness in certain

sectors reflecting variations in perceptions of future prospects on the part of business, consumers and the authorities. Total manufacturing output rose by some seven per cent and, as would be expected, the achievement of a significant expansion in the volume of output from a low plant capacity utilisation resulted in an escalation in profits in manufacturing.

As far as 1980 is concerned, the authorities are well placed to give substance to expectations which prevailed at the start of the year. The Budget which will be announced shortly before the publication of this review will, undoubtedly aim at a further acceleration of growth. The modest overall outcome in 1979, with an associated decline in the volume of imports and further growth in exports, strongly supported by movements in the gold price, have fortified the country's balance of payments beyond the most optimistic hopes of a year ago. A further current account surplus in 1980, with the implicit accrual of capital account advantages for the years to come, is now in prospect. Prising gold mine taxes have also been a principal factor behind the continued consolidation of government finances.

In the circumstances, the problem is not the achievement of accelerated expansion in 1980 but rather the need to ensure that the nature and extent of this expansion is such that it does not detract from growth prospects in the decade ahead. The challenges are, of course, very real.

Domestically, the problem of inflation has become paramount. So far, it has remained essentially cost push in nature, stemming from the explosion in crude oil prices, but with the surge in export earnings and the consequent imbalance between our financial and physical resources it could become accentuated to an even greater degree. An acute shortage of skills is already apparent. Other bottlenecks will, as always, emerge as the upswing progresses, notwithstanding the enormous potential for demand to be met in the form of imports. Capacity utilisation is rising, bringing closer the need for widespread fixed investment in industry and simultaneously enhancing job opportunities and accelerating utilisation of the country's manpower and financial resources. Skilled management is required to prevent the dissipation of these financial resources which have been built up since 1975, assiduously and with sacrifice on the one hand and providentially supplemented by the recent escalation in prices of precious metals on the other. This has to be achieved within a persistently uncertain international economic environment.

Labour and productivity

There can be no doubt that the effective use of our manpower is at the core of the challenge and it is telling that a country with an enormous labour surplus is once again facing an acute skills shortage. Blame for the evident lack of self-sufficiency in this crucial area with the country having rightly given such urgent attention to others, must lie with the private sector as well as government. An understanding and acceptance of the basic tenets of a market economy, which works ultimately to the advantage of all, has some chance of emerging only if the political and business environment is demonstrably one which provides full and fair opportunities to all without discrimination. This applies no less in times of abundance, particularly when, in the eyes of some, it must seem to be accruing only in certain areas.

The changes in government policy introduced in the light of the Wiehahn and Riekert reports are most welcome. The creation of a unitary and non-racial industrial relations system is an urgent priority for the South African economy and the extension of

registered trade union rights to all but temporary foreign employees is an important step in this direction. However now that black, as well as white, coloured and Asian workers can participate in registered trade unions the next challenge to be met is that of avoiding racial polarisation in the trade union movement.

In this regard it is to be regretted that the government preference for racially separate unions was maintained in the Industrial Conciliation Amendment Act promulgated last year, in contrast to the Wiehahn recommendation that workers should be free to decide to join separate or mixed unions. The exemptions granted to several unions early this year to become racially mixed are welcome. However, it would be desirable if the principle of freedom of choice were incorporated in the law itself, rather than be achieved by means of ministerial exception.

Since the early sixties South Africa has experienced acute shortages of skilled workers. The creation of a collective bargaining system which includes workers of all races and will facilitate the opening of skilled jobs to blacks can ameliorate the position which becomes critical in times of economic expansion. The most common response of employers to the skills shortages in the past, buttressed as they were by statutory job reservation, was to seek to fragment jobs. This policy cannot be in the national interest in the long term and it is up to employers to facilitate the creation of a larger pool of skilled workers by promoting the training of operators, artisans and technicians. The brutal fact is that, unless South Africa can train and improve its total labour force to an efficiency and effectiveness at least equal to that of its competitors, it will lose out to competition, particularly from the East, in many fields. An understandable fear on the part of white workers and unions representing them, is that they will be replaced with cheaper black labour. Such a development would not be in the medium or long term interests of either the employer or employee, white or black.

The newly created Industrial Court has the task of seeing that the principle of equal pay for work of equal value is upheld in all cases. Employers can assist the process of broadening South Africa's skilled worker base by ensuring that where blacks are advanced, this is done on the basis of non racial standards and conditions of employment in all respects.

The government initiatives have raised expectations, and the recent build up of resources to give full effect to present plans and promises is a matter which has received widespread publicity and served to fuel these expectations. In every respect, it is a propitious time for appropriate action to ensure that the country can look not only to a cyclical upswing, which is reasonably assured, but also to a period of prolonged growth.

Outlook for 1980

Despite the constraints outlined above and the changing political influences in southern Africa, the economic prospects for 1980 are generally favourable. The Amic group is budgeting for further growth and for a satisfactory increase in earnings, although this increase is unlikely to match that achieved during 1979.

The 15th annual general meeting of Anglo American Industrial Corporation Limited will be held in Johannesburg on Tuesday, April 22nd, 1980.

Copies of this review with the annual report are obtainable from the London office of the Company at 40 Holborn Viaduct, EC1P 1AJ, or from the transfer secretaries, Charter Consolidated Limited, P.O. Box 102, Charter House, Park Street, Ashford, Kent TN24 8EQ.

Three Norwegian oil companies—Statol, Norske Hydro and Saga—are partners in the East Norwegian Ragnes petrochemical complex, built to exploit NGL supplies from Ekofisk.

All three are interested in securing a share of the Statfjord gas and have already put forward tentative plans for its use.

The site for a new petrochemical plant would almost certainly be West Norway. The Statfjord gas could come either by tanker from a European or

Oslo wins Statfjord gas option

BY FAY GJESTER IN OSLO

THE NORWEGIAN state has secured the option to buy all the natural gas liquids which can be extracted from the Anglo-Norwegian Statfjord field, according to an Oil Ministry official.

Details remain to be negotiated between the Government and the Statfjord group. But by guaranteeing future feedstock supplies, the agreement in principle opens the prospect of further expansion for Norway's petrochemical industry.

accident before finally making up its mind on the drilling issue. This, it said, would mean a delay until the summer of 1981.

The committee of inquiry yesterday made its first inspection of the severed leg of the rig, now lying at anchor in Stavanger harbour under police guard. It is hoped that a study of the 40-metre-long cylinder may indicate how the break occurred. A thorough inspection will not be possible, however, until the leg can be lifted out of the water.

Norwegian police have voiced concern at the inadequacy of personnel records which made it difficult to discover exactly who was on the oil platform Alexander Kielland when it capsized in the North Sea last Thursday night.

There had apparently been several warnings in the past of the need to improve record-keeping, precisely because of the possibility of a serious accident and the cruel uncertainty this created when personal records were incomplete. The victims in the disaster were employees of a score of companies.

Norway's Trade Union Congress is expected to demand high compensation for the families of union members who were killed. Mr. Karl Nandrup Dahl, a TUC lawyer, said claims might total around \$10m, making about \$100,000 per family. He also said compensation awards must be uniform, and not depend on the insurance arrangements made by individual employers.

French bid to curb bank credit

BY TERRY DODSWORTH IN PARIS

THE FRENCH Government has introduced a fresh batch of measures to tighten its grip on the growth of bank credit, following signs that the money supply is beginning to expand much more quickly than forecast this year.

The new measures will not please the banks, which have fed a consistent campaign against the system of credit-control ceilings and the Government's main efforts in limiting the expansion of money supply so far have been re-integrating parts of the de-controlled sector.

Earlier this year, the authorities announced that, from May,

the level of re-integration would be brought up to 50 per cent on these free-lending categories, which include export credit, lending for energy-saving equipment, and for savings towards house-buying.

The latest move brings house-buying credit entirely back into the controlled sector from today. It has also scaled down the growth that will be allowed in the expansion of lending in the controlled sector, and has blocked any progression at all for the big banks in the summer. A particularly heavy brake is being put on fire-purchase lending.

UK terminal, or direct by pipeline, together with the "dry" gas from Statfjord.

Hydro said last week its experts had studied the feasibility of laying a gasline from Statfjord to Mongstad, in West Norway, where it and Statoil jointly own a refinery. The experts concluded a line could be laid, despite the rocky seabed near the coast, by putting the pipe in a 20-kilometre tunnel over its final stretch. A final conclusion was expected later this year.

Challenge to Mitterrand grows

BY DAVID WHITE IN PARIS

THE CHALLENGE to M. Francois Mitterrand for the French Socialist Party's nomination in next year's Presidential elections, is gathering strength.

In what is beginning to take the form of a real "primary" contest, M. Pierre Mauroy, Socialist Mayor of Lille, and chief of the party's powerful section in the industrial north of France, has given his formal backing to the candidacy of M. Michel Rocard.

M. Mauroy and M. Rocard are the two main figures in the Socialist "minority" which emerged at the party's congress last April, leaving M. Mitterrand relying on the support of the "majority" Ceres group to hold down a majority.

But the party leadership had not tried to form a consensus. Instead, it had floated the idea of an alternative candidate—M. Pierre Joxe, the party treasurer.

The mooted candidacy of M. Joxe, close to M. Mitterrand and the party's Left, and therefore in the opposite camp from the more moderate tendencies such as M. Rocard's, is suspected of being a diversion tactic which would simply aggravate the party's divisions and allow M. Mitterrand to re-impose himself later as the only man capable of keeping the party together.



Union Bank of Switzerland

US\$5% CONVERTIBLE NOTES DUE 15th MAY, 1981 AND
US\$4½% CONVERTIBLE BONDS DUE 15th MAY, 1987 OF
UNION BANK OF SWITZERLAND (LUXEMBOURG), LUXEMBOURG
US\$5% CONVERTIBLE BONDS DUE 15th MAY, 1989 OF
UNION BANK OF SWITZERLAND (PANAMA) INC., PANAMA

The Board of Directors of Union Bank of Switzerland will propose to the Ordinary General Meeting of Shareholders convened for 10th April, 1980:

That the present share capital of Fr. 1,100 million be raised to Fr. 1,200 million by issuing 164,800 new Bearer Shares with a par value of Fr. 500.— each and 176,000 new Registered Shares with a par value of Fr. 100.— each. The Participation Certificate Capital will be increased in the same proportion by issuing approximately 190,000 Bearer Participation Certificates ("BPCs") with a par value of Fr. 20.— each.

Subject to the approval of the Ordinary General Meeting of Shareholders, holders of Bearer Shares, Registered Shares or BPCs will be entitled to receive free of charge a warrant to subscribe one new Bearer Share, Registered Share or BPC against delivery of 11 coupons from Bearer Shares, Registered Shares or BPCs.

The warrants will be exercisable between 1st June, 1980 and 15th December, 1981 at prices of Fr. 2,000.— per Bearer Share, Fr. 400.— per Registered Share and Fr. 80.— per BPC.

All new securities will be entitled to the dividend payable in respect of the financial year following the year in which the subscription right is exercised.

Provided the capital increase is carried out as proposed, the conversion price of the US\$5% Convertible Notes due 15th May, 1981 and US\$4½% Convertible Bonds due 15th May, 1987 of Union Bank of Switzerland (Luxembourg) and US\$5% Convertible Bonds due 15th May, 1989 of Union Bank of Switzerland (Panama) Inc., will be reduced with effect as of 28th April, 1980. The new conversion price will be published after the Ordinary General Meeting of Shareholders has taken place.

The holders of the above-mentioned Notes and Bonds wishing to exercise their rights to the warrants are invited to exchange their Notes and Bonds for Bearer Shares or BPCs of the Union Bank of Switzerland not later than Friday, 18th April, 1980.

No Convertible Notes and Bonds will be exchanged for Bearer Shares or BPCs during the period from Friday, 18th April, 1980 to and including Monday, 28th April, 1980 (date on which the shares and BPCs of UBS are traded ex-rights to the warrants).

Convertible Notes and Bonds not surrendered for the exchange by Friday, 18th April, 1980 do not entitle the holder to the rights to the warrants.

UNION BANK OF SWITZERLAND

FINANCIAL TIMES, published daily except Sundays and public holidays. Subscription rates \$365.00 per annum. Second class postage paid at New York, N.Y., and at additional mailing offices.

كتاب النعمان

Hungary's radical changes mark the end of an era

BY PAUL LENDVAY IN BUDAPEST

HUNGARY'S top leadership has been completely changed in the surprise reshuffle which came at the end of last week's Communist Party Congress. Five of the 15 Politburo members, and 28 of the 118 Central Committee members who were elected at the Congress five years ago, along with two of the seven secretaries of that body, have now been removed.

The reshuffle involved some of Mr. Kadar's oldest associates. They included Mr. Jenő Fock, a former Premier and the number two man in the Party until April 1978; Mr. Béla Biszku, the current President of Parliament; Mr. Antal Apró, the editor of the central Party paper; Mr. Dezso Nemes, at 72 the oldest high official and the only one who spent the war years in Moscow; and one of the country's ablest economists, Deputy Premier and Planning Chief, Mr. István Huszár, 53.

These removals and the simultaneous promotion of three younger leaders completed the most radical personnel changes to have taken place at the top since Mr. Kadar took on the post of First Secretary after the crushing of the Hungarian uprising in November 1956 by the Red Army. None of the men who joined him in a completely new team then is still in the Politburo or the Secretariat. The membership of the Politburo has now been reduced from 15 to 13, and the average age is now 56.7 years as against the pre-congress average of 59.7 years.

The three newcomers are trusted followers of the party chief. Mr. Ferenc Havasi, 51, is a professional party official who has been in charge of economic policy since 1978. His appointment reflects a clear victory for the advocates of a cautious reform policy. Mr. Lajos Hehes, 53, is the Budapest party chief, and Dr. Mihály Kórmay, also 53, has spent most of his career in the military-security apparatus.

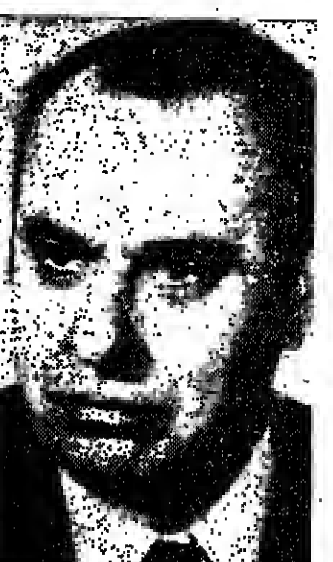
The changes not only underline Mr. Kadar's pre-eminent position as the undisputed number one figure in Hungarian politics. The reshuffle was also necessary at a time when the ruling party and the entire country are braced for yet another strong dose of austerity. Mr. Kadar needs both capable and reliable people around him if he wants his risk policy of retrenchment to work.

The Hungarian party leadership was shaken by factional battles in the early 1970s between all-out reformers and a hard-line, dogmatic wing which, at one point successfully intrigued in the Kremlin against the policy of economic reforms and cultural diversity. After a series of concessions which cost some reformers their jobs and the country some supply difficulties, Mr. Kadar regained the initiative, saved the substance of his policies and isolated the hard-liners.

The final blow came in April 1978, with the pensioning off of Mr. Béla Biszku, the second most powerful man in the Party and the official controlling both the Party apparatus and the security-military machine. Other lesser known hard-liners were also quietly shifted to less sensitive



Mr. Janos Kadar... undisputed leader



Dr. Mihaly Kormay... trusted follower



Mr. Ferenc Havasi... professional official

casualties on the Left and Right of past political conflicts sit side-by-side in the new Central Committee. But there are also 32 new faces among the 137 members elected last week. Three out of four of the 812,000 Party members joined the Party after the 1956 upheaval.

In a very real sense, therefore, the 12th congress also marks the end of an era. As publicly stressed by Professor József Bognár, the noted non-Communist economist, never before has a Party Congress so clearly recognised the primacy of economics, the dependence on the successful functioning of the country's economy. Never before have managers and welders, collectivised peasants and engineers, young students and local officials so candidly and so thoroughly discussed their economic plight of their resource-poor country.

It is enough to compare the reports submitted by Mr. Kadar at the 1975 Congress and at last week's gathering to see that things have changed sharply for the worse. Five years ago the Party leader reported that per head real incomes between 1970-75 had risen by 25 per cent and would increase by a further 23-25 per cent by 1980.

Last week he had to admit that the increase was merely 9 per cent and will be 6 per cent at the most during the forthcoming five-year Plan. This means that after two years of falling real wages the population is faced at best with five years of stagnating living standards.

Despite repeated pledges made about job security and full employment, even Mr. Sandor Gaspar, the union leader, had to warn publicly that "tens of thousands" have to be redeployed, that the economy cannot afford not to have available and scarce labour utilised fully.

What both Mr. Kadar and Mr. Gaspar did not spell out is the fact that Hungary, like other Eastern bloc countries, is plagued by rampant bureaucracy. The vast Party apparatus is exactly duplicated among the unions, youth, women and popular front organisations, which have thousands of better-paid officials often hampering rather than encouraging efficiency.

Adapting to world market prices, moving to a more differentiated wage system, allowing social differences to widen and giving impetus to private initiative all threaten social conflicts. But Mr. György Lazar, the Premier, candidly admitted these and other dangers, and warned that there was no realistic alternative but retrenchment and restoration of external and internal economic equilibrium.

The medium-term prospects appear relatively gloomy, and Mr. Kadar has cleared the decks in anticipation of further tensions. With men absolutely loyal to him, and with the Kremlin again recognising that only his subtle "live and let live" policy can guarantee stability and calm, the veteran Hungarian leader can now afford to pay a higher political price for the success of his daring economic strategy.

EEC aid director begins visit to Rhodesia

By Quentin Peel in Salisbury

A EUROPEAN Community aid programme for Rhodesia is likely to be drawn up by M. Claude Cheysson, the Commissioner for Overseas Co-operation, who arrives here today.

The post-war reconstruction of services in the rural areas, the resettlement of refugees, reopening of transport and communication links and training could all be funded from the EEC funds set aside for aid to developing countries.

European officials say M. Cheysson is keen to support the Rhodesian reconstruction effort, although the new government has only just applied to join the Lomé Convention.

Funds are available for non-associated states, with 15m European units of account available for African countries, of which perhaps a third might go to Rhodesia.

Further sources of aid could be available for the repatriation of refugees, and assistance for charitable organisations involved in the effort.

M. Cheysson will be spending two days in Rhodesia, during which time he will see Mr. Mugabe, the Prime Minister, Lord Soames, the British Governor, and the most relevant ministers, including those responsible for foreign affairs, finance, agriculture and commerce.

He leaves Salisbury for the Mozambique capital, Maputo, on Thursday, where he will hold talks on EEC aid for that country.

David Dodwell, recently in Bangkok, analyses Gen. Prem's problems

Old divisions confront Thai regime

THAILAND'S NEW Prime Minister, Gen. Prem Tinsulanonda, has gathered an impressive coalition of political, military and business leaders to tackle the economic problems which helped unseat his predecessor, Gen. Kriangsak Chomanan, just over four weeks ago.

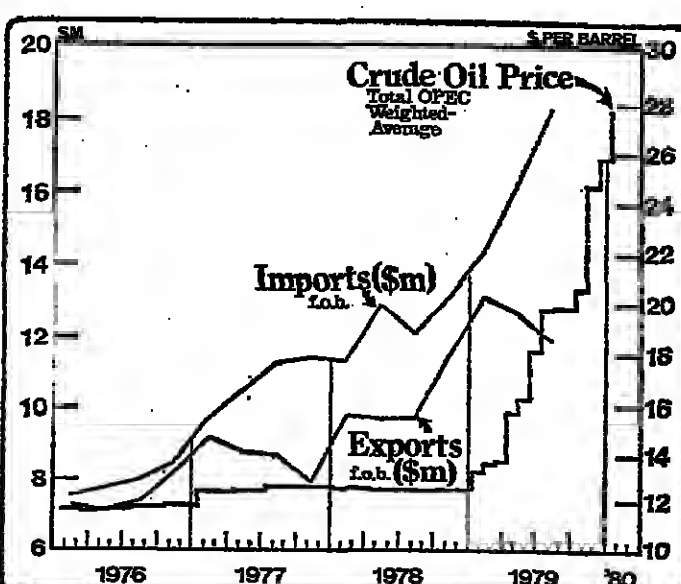
But his Government is the fourth for Thailand in 15 months, a record of fragility which will make it all the harder to impose the tough policies expected of him. He will also have to manoeuvre knowing that there is a risk of the Indochina conflict spilling across Thailand's borders.

Thailand has distinct economic advantages. It is the world's largest rice exporter after the U.S., and is self-sufficient in food. The economy has grown at an impressive 7.2 per cent a year since 1980, with inflation until recently averaging only 4 per cent a year.

But inflation is now heading towards 20 per cent, while the balance of payments has slumped deep into the red—to Baht 37bn (£220.4m) in 1979 and a projected Baht 60bn (£1.33bn) this year. Interest rates of between 18 and 20 per cent have stalled commercial and manufacturing investment, which has averaged 11 per cent growth every year over the past decade. And a severe drought has damaged this year's rice crop—the most important single source of foreign exchange.

Economists feel Gen. Kriangsak's Government was following the most sensible course open to it. But when unpopular decisions had to be made—primarily on 25 to 50 per cent increases in the price of oil products—Gen. Kriangsak lacked the power to implement them.

Gen. Kriangsak's Government was threatened with strikes and street demonstrations. Few in Bangkok have forgotten the street violence which led to the fall of Governments in 1973 and 1978.



Gen. Kriangsak brought Thailand back from the brink. His gentlemanly resignation broke with a long tradition of violent political change, stunning even his most ferocious critics.

He pre-empted the strikes and demonstrations. He may also have prevented yet another military coup. The army leaders, to their credit, have now for the first time made a commitment to democratic and peaceful change, a commitment which has encouraged political commentators.

Gen. Prem, a career soldier, supreme commander of the armed forces and by all accounts a reluctant recruit to politics, has risen to power on a tremendous groundswell of support. He admits he knows nothing about economics, but with Mr. Boonchu Rojanasthien as his Deputy Prime Minister with responsibility for economic affairs, he has as strong an economic team as Thailand could hope for.

Mr. Boonchu, head of the leading Bangkok Bank, has the confidence of Thailand's commercial and banking barons. He is no stranger to power, as he was Finance Minister in the mid-1970s in the Government of Mr. Kukrit Pramoj.

Heavy spending on better roads and railways is likely. Farmers are likely to win support for higher prices at the farm gate, as well as money for equipment, fertiliser and seed. There will be incentives for agro-industry, while, in the short term, the Government has promised support to farmers.

All these policies will cost money, and the options of raising direct or indirect taxes on businesses or private citizens are clearly likely to arouse protest among the volatile urban lobbies, which mostly comprise students and labour.

Mr. Boonchu advocated such policies in the mid-1970s. The ensuing street demonstrations brought Mr. Kukrit's Government in its knees. The urban lobbies also paralysed Gen. Kriangsak's plans to give the rural poor a "better deal."

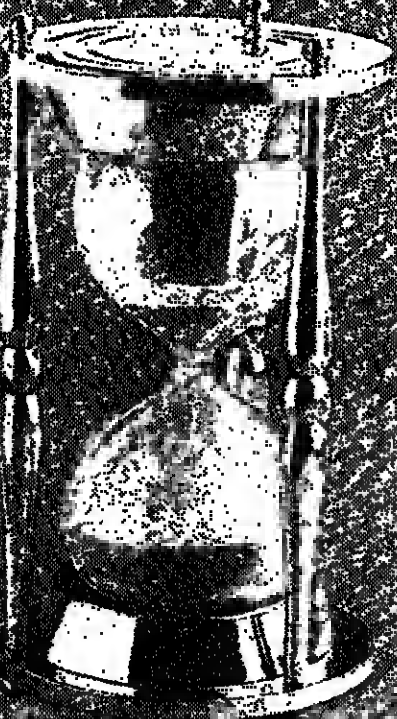
Gen. Prem's coalition comprises representatives of every parliamentary group. Every party thus has an interest in his success.

But, if he fails, the alternatives are few. Significantly, Mr. Kukrit, one-time Prime Minister and head of the Social Action Party, has refused office in Gen. Prem's Government. He clearly sees his main chance as still to come, and until then feels disinclined to play second fiddle to anyone.

There is also speculation that Gen. Kriangsak may try to return to power after a period of licking his wounds. His statesman-like resignation won him widespread acclaim and greatly improved his faltering political reputation.

If all these options fail, the Army might once again take power. But most hope it will never come to that—not least the Army itself. The strain on the economy and on regional stability could be disastrous. If stability is to be restored, it may be crucial that Gen. Prem succeeds.

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"Over One Million Investment Accounts"

Highlights from the President's speech delivered at the Annual General Meeting of Bradford & Bingley Building Society, held in Bingley on 31st March 1980.

INVESTMENTS
During the year we opened over 220,000 New Investment Accounts and at the end of the year the number of accounts exceeded one million.

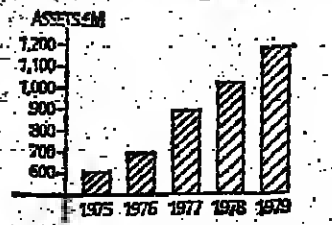
ASSETS AND RESERVES
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THE FUTURE
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Copies of the Report and Accounts can be obtained from The Secretary.



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OVERSEAS NEWS

AMERICAN NEWS

Black states aim to break S. Africa economic links

BY MICHAEL HOLMAN IN LUSAKA

PRESIDENTS and Ministers from nine southern African states meet in Lusaka today to plan their countries' economic liberation from South Africa at a time when their need for the white-ruled Republic's food, transport and other resources has seldom appeared so stark.

The summit is a follow-up to a "Southern Africa Development Co-ordination Conference" held in Arusha, Tanzania, last July. Sir Seretse Khama, Botswana's president, set the theme of the Arusha talks in his opening address. It was the launching, he declared, of "a new type of struggle for liberation—economic liberation."

The principal objectives, he went on, were to reduce dependence on South Africa and integrate the economies of the participating states.

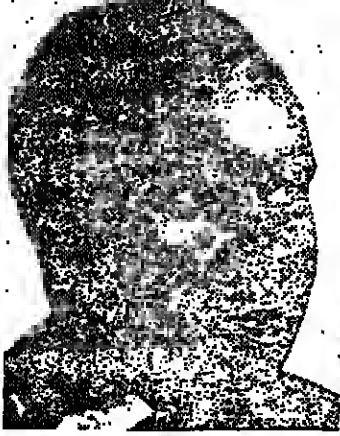
Zambia, Tanzania, Mozambique, Botswana and Angola—the Front Line states which took the initiative in setting up the Arusha meeting—are to be joined in Lusaka by Lesotho, Swaziland, Malawi and Zimbabwe.

Among the items on the agenda are expected to be:

- A proposal to establish a Southern Africa Regional Transport and Communications Commission, which would oversee attempts to develop a network independent of South Africa's railways and ports. Tentative estimates in Arusha suggested that some \$1.5bn would be needed over 10 years.
- The creation of a Southern Africa Development Bank, which could initially be administered by the Africa Development Bank.
- A suggestion that aid to member-countries be co-ordinated on a regional basis.
- A regional food policy, including efforts to set up reserves of basic commodities.
- Pooling of mining, industrial, agricultural and energy expertise.

Sceptics will be quick to point out the inauspicious circumstances under which the African leaders are coming together.

The host-state would face starvation without over 100,000 tonnes of maize from South Africa, needed after a disastrous 1979 harvest was owed as much to the shortcoming of



President Kaunda of Zambia and Mr. Robert Mugabe: difficulties ahead.



who is expected to attend the summit—has made it clear he is no more able to break off trade and transport ties with the south than is President Samora Machel of Mozambique.

Neither Angola nor Tanzania depend economically on the South, but their transport problems have a serious effect on their neighbours.

To the north, the Tanzania-Zambia railway (Tazara) remains chronically inefficient, as does the outlet port of Dar-es-Salaam.

All main members of the group are in serious economic difficulties. Zambia is struggling to recover from years of depressed copper prices and the cost of the economic and military war with Rhodesia.

Tanzania is in the throes of her greatest financial crisis since independence, brought on in part by her involvement in the Uganda war, but also

because of rising oil prices. The governments of Angola and Mozambique are both battling to restore their country's economies to pre-independence levels.

Nor do past efforts at regional co-operation offer much encouragement. The East Africa Economic Community folded in 1977 and the border between Kenya and Tanzania remains closed.

Frequent pledges of economic co-operation between Zaire, Angola, Zambia and Mozambique have made scant

THE CONTRAST between the two heavyweights in today's Wisconsin Democratic primary could not have been sharper.

On Sunday night, in Serb Hall, Milwaukee's Mecca for political rallies, Senator Edward Kennedy was laying it on for all it was worth, elongating his already extended Boston vowels, roaring into the microphone his lamentations about inflation and what he calls the Administration's "surprising" foreign policy, nodding his head in agreement with himself, whenever he delivered a good line, baiting President Jimmy Carter, goading him to come out and fight and prove that he, too, was a good Democrat in the tradition of Roosevelt, Truman and John Kennedy.

When his old friend, the Rev. Walter Fauntroy, the District of Columbia's non-voting Congressman, put his high tenor to staggering use in an amazing rendition of "to dream the impossible dream," Serb Hall erupted like an old-fashioned revival meeting.

Earlier, it had been the President's turn. In an interview with the Milwaukee Journal and in remarks by his press secretary, Mr. Jody Powell, the weapon was more the counter-punch than the thunderous swing. Senator Kennedy, the President said, was prone to

"demagogue the issues," was guilty of misleading the public with simplistic, though politically attractive, solutions for inflation, and was advocating policies that could destroy the peace process in the Middle East. (The Kennedy retort was: "I'm a Democrat, not a demagogue.")

Mr. Powell was solemn, even plaintive. Senator Kennedy, he said, not the President, "is the one who has some explaining to do about the variety of positions he has held on issues."

The Senator must, Mr. Powell went on, explain how in Iowa in January he could state that any threat to the Gulf's oil supplies meant "war" and how a few weeks later in Massachusetts he could proclaim that no American blood should ever be spilled in the Gulf, to help top up petrol tanks at home.

But underlying Mr. Powell's critique was, for him, a palpable worried defensiveness.

This is understandable, for the stakes are high here in Wisconsin and in Kansas to the south—and not just for Mr. Carter and Mr. Kennedy. Wisconsin, in particular, is yet another critical test for Mr. John Anderson and Mr. George Bush as they try and stall the Ronald Reagan juggernaut. It may determine whether Mr. Anderson takes the third party



Senator Kennedy

route into the general election; it is Governor Jerry Brown's last throw.

But, above all, it is the big test, far more significantly psychologically than in the number of convention delegates that will be chosen, or whether the defeats last week in New York and Connecticut signalled the first unravelling of President Carter's campaign for re-election, or whether those two

results were but an aberration. Wisconsin is a state that has often been kind to liberals. Although it produced the unimpeached Senator Joseph McCarthy, its tradition is better reflected as the home of La Follette's Progressive Party earlier in the century.

More recently, it gave electoral lifts to Eugene McCarthy in 1968 and George McGovern in 1972. Four years ago Congressman Morris Udall went to bed on primary night thinking he had upset Jimmy Carter only to wake up a few hours later to find he had narrowly lost.

It is the home state of such prominent liberals as Congressmen Henry Reuss and Les Aspin (both Kennedy backers) and of that independent-minded pair of Senators, William Proxmire and Gaylord Nelson.

Wisconsin has also the most open form of primary voting. All the citizen has to do is register on election day prior to casting a ballot on either the Republican or the Democratic side. Thus, the whole state is a politician's oyster in the primary season.

This complicates matters inasmuch as the three perceived liberals, Mr. Kennedy, Mr. Anderson and Mr. Brown, are all pursuing the same bloc. Any of the three can be hurt by the

success of another, which explains why, perhaps, the sharpest war-within-a-war is being waged between Mr. Anderson and Mr. Brown, one a Republican, the other a Democrat, with the latter clearly seeing the liberal Republican Congressman eating away at his natural constituency among the state's 200,000 university students.

Mr. Anderson, who has also been drawing good crowds, by the same token probably stands to lose most by a Kennedy revival. He is publicly not ruling out a third party candidacy in the general election if his own party's nomination is denied him.

Privately, he is saying that he gets under 25 per cent of the vote here, he will carefully reassess what he should do next. The same hard choice will face Mr. Bush if he comes up short here.

Democrats in Wisconsin will select 75 delegates, Republicans 34. In Kansas, where 37 Democrats and 32 Republican delegates will be chosen, Mr. Carter and Mr. Reagan, who over the weekend picked up the endorsement of Mr. Robert Dole, the Kansas Senator and erstwhile candidate, are considered the favourites, though again the President's once-big lead may have dwindled.

Carter summons security advisers on Iran

BY DAVID BUCHAN IN WASHINGTON

PRESIDENT CARTER yesterday summoned his National Security Council to discuss latest developments in the Iran crisis, cancelling an economic speech he had been due to give in the wake of the 1980-81 budget announcement.

There was still a state of high uncertainty yesterday, following a baffling weekend of claim and counter-claim over contacts between Washington and Tehran about the hostage deadlock.

But the White House finally conceded that two messages had been sent in the past week to President Abol Hassan Bani-

Sadr of Iran. Mr. Jody Powell, the President's Press Secretary, insisted that no conciliatory overtures—of the kind claimed by Iran and published in Tehran as the purported text of a letter from President Carter—had been made.

Instead, there were reports that the messages to President Bani-Sadr contained toughly worded warnings of economic and diplomatic retaliation, perhaps in the next few days, if Iran did not take speedy steps to resolve the deadlock over the hostages.

The most likely Administration move would be to issue formal trade sanction orders

against Iran. Trade with Iran has been at a standstill since the U.S. freeze of Iranian assets in November made payments difficult and the largest trade union of American dockers refused to load ships for Iran.

But the promulgation of formal sanctions orders, prepared weeks ago but held in abeyance, would be meant as a symbol of U.S. determination to tighten the economic screws on Iran.

Under the threat of U.S. action, there are reports of possible progress from Tehran. While the New York Times reported President Bani-Sadr as saying he had been given an

"ultimatum" by Mr. Carter, Mr. Sadeq Qotbzadeh, the Iranian Foreign Minister, said over the weekend that the hostages must be soon removed from the custody of the militants in the embassy to that of the Government.

Meanwhile, the Supreme Court yesterday refused to block the deportation of Iranian students illegally resident in the U.S. This was a move that President Carter had ordered for those Iranians whose papers were not in order. The Confederation of Iranian Students had sought an injunction against the Immigration and Naturalisation Service.



President Bani-Sadr: reply to Carter

Malaysia shows 8.5% growth

BY WONG SULONG IN KUALA LUMPUR

THE MALAYSIAN economy grew by 8.5 per cent last year, following a surge in exports, Bank Negara, the country's central bank, reported yesterday.

In its annual report, the bank said growth for this year was expected to be about 7 per cent because of the depressed state of the world economy.

Growth in the economy last year was fairly evenly distributed, with a strong recovery in agriculture, which grew by 4 per cent, and strong growth in the mining, manufacturing, construction and services sectors, which expanded between 12 and 15 per cent.

Exports shot up by 40 per cent to Ringgit 23.8bn (\$4.8bn) while imports rose by 30 per cent to Ringgit 17.2bn (\$3.5bn) giving a trading surplus of Ringgit 6.5bn (£1.3bn) — a record.

After paying for services and

accounting for capital outflows, Malaysia's balance of payments showed a hefty surplus of Ringgit 1.8bn.

At the end of last year, Malaysia's foreign exchange reserves stood at Ringgit 9.2bn, an increase of Ringgit 1.8bn.

The central bank said all the country's five major commodities—rubber, crude oil, timber, palm oil and tin—enjoyed a boom.

Rubber remained the top exporter, netting Ringgits 4.5bn, a 27 per cent increase. It was followed closely by petroleum. Last year the value of which rose by \$2 per cent to reach Ringgits 4.2bn.

Exports of timber (both logs and sawn timber) rose 65 per cent to reach Ringgits 4.2bn, while palm oil (including kernel oil) exports increased by 31 per cent to Ringgits 2.8bn. Tin exports rose moderately by 13.5 per cent to Ringgits 2.3bn.

On the country's economic prospects this year, the central

bank pointed out that it would be difficult to insulate the economy completely from the adverse influences arising from world inflation and recession, considering the crucial importance of trade to Malaysia.

Exports are expected to increase moderately, and the main stimulus for growth would come from within the domestic economy, particularly from increased consumption and private investments.

The most worrying aspect is inflation, which is expected to increase substantially. Last year's inflation was officially put at 3.6 per cent, but non-Government economists feel the rate was about 7 per cent.

AP adds: India will seek to strengthen its relations with members of the Association of South-East Asian Nations through an ASEAN-India dialogue. Mr. V. B. Sont, Indian Acting High Commissioner in Kuala Lumpur, said yesterday.

Jamaica starts talks on debt deferment

KINGSTON — Mr. Michael Manley, the Jamaican Prime Minister, said the island has started negotiations with its major commercial creditors for a five-year deferment of \$186m (\$35m) in short-term debt due for repayment by 1985.

Mr. Manley was outlining measures designed to provide an alternative economic path for Jamaica, after cancelling negotiations with the International Monetary Fund for balance of payments support last week.

"We are conducting negotiations with our major commercial creditors to shift this payment to the 1985-90 period," he told a Press conference.

Jamaica's total commercial debt is \$1.3bn.

Debts to the IMF and other institutions, and Government-guaranteed debts, would also be renegotiated.

Mr. Manley said the measures included increasing bauxite and alumina production by bringing existing plants to full production and creating a state-owned plant in co-operation with other countries.

Other measures included energy conservation and development programmes, rationalising raw materials imports, developing a spare parts industry, and financing capital goods imports through export credits from Socialist and Western countries.

U.S. insurance exchange opens

By David Lascelles in New York

NEW YORK'S long-planned insurance exchange opened its doors for business yesterday amid assurances that it did not want to drive Lloyd's of London out of business but to follow its great traditions.

Mr. Vincent Learson, the former chairman of IBM who is the exchange's first chairman, said at the opening ceremony: "We are not out to get Lloyd's. But we want to emulate it and build up our own reputation."

He also read out a message from Mr. Peter Gren, chairman of Lloyd's, conveying "friendly greetings" and expressing the wish that the two exchanges work together in a "friendly co-operation."

The exchange is housed in a former bank building just north of Wall Street. It started with 17 underwriting members and 40 brokers. A recent survey suggests it will do about \$40m of business in its first year, compared with the \$4bn a year at Lloyd's.

Mr. Learson stressed that the exchange will not go "pell mell" for volume, but will concentrate on developing security instead.

New York's challenge to Lloyd's, Page 23

Tehran's reply to U.S. expected today

BY SIMON HENDERSON IN TEHRAN

THE BASIS of Iran's reply to the disputed letter from President Jimmy Carter to Ayatollah Khomeini is expected to come today when President Abol Hassan Bani-Sadr addresses crowds in Tehran celebrating the first anniversary of the establishment of an Islamic Republic.

Ayatollah Khomeini is not expected to make any reply himself. His son told a Tehran newspaper yesterday that the Iranian leader would not be answering President Carter's message.

President Bani-Sadr's com-

ments will be taken as an answer to the diplomatic offensive apparently orchestrated by the U.S. despite its confused denials of the authenticity of President Carter's letter, and the various messages sent by the European Community countries and Japan.

The tone of President Carter's supposed message was apparently conciliatory. But the Iranian president will probably respond to a second message sent last weekend in which the U.S. apparently delivered a virtual ultimatum that if the hostages were not released or transferred to Government

custody, a break in relations and formal economic sanctions would follow. America's European allies would, it is believed, be expected to follow suit.

There has been no confirmation in Tehran of a report that the ruling Revolutionary Council has already approved the plan that the Government should take over custody of the hostages by a vote of seven to six.

Such a vote is unlikely because the majority of one seems to lack authenticity. The council is known to be split on the issue with President Bani-Sadr and Mr. Sadeq

Qotbzadeh, the Foreign Minister, leading those for.

Also the 14th member of the council, Mr. Ali Akbar Moinefar the Oil Minister, is away in Libya and his presence would probably be demanded for the vote.

Anyway such a Government decision, which includes the prospect of using force, would need the approval of Ayatollah Khomeini if it is not to lead to adverse public reaction. The Ayatollah has always previously said the issue has to be decided by parliament, which is not expected to meet until the end of May at the earliest.

Syria heads off strike by lawyers

By Ihsan Hijazi in Beirut

THE SYRIAN Government appeared to have headed off a general strike planned for yesterday by professional associations such as lawyers, engineers, doctors and pharmacists.

The State-controlled Damascus Radio broadcast a statement issued by the Association of Lawyers calling for a "democratic dialogue" to resolve the country's problems. It is the first time the official media has carried a statement by this body.

Unlike the trade unions and farmers' federation, the professional associations did not send cables of support to President Hafez Assad over the unrest in Syria which followed demonstrations and riots at the beginning of March.

The first hint that a strike had been called came on Sunday in a declaration by "Democratic and National Lawyers" in the northern part of Latakia. It urged no interruptions of work and accused unidentified elements in the unions of making a common cause with "reactionary groups."

The bigger Association of Lawyers had set March 31 as a deadline for its demands to be met, or had threatened to call a strike. The lawyers had protested against the continuing detention of political prisoners under the emergency law.

A number of prisoners have already been set free, and the government has promised to refer the remaining detainees to ordinary courts

Interest-rate rises hit Qatar banks

BY KATHLEEN BISHTAWI IN DUBAI

THE RECENT rise in interest rates for the dollar and the pound have caused an outflow of funds from Qatar on such a scale as to cause what is described there as a "critical banking situation."

Figures issued by the Qatar Monetary Agency for February show that for the first time since the 1967 Arab-Israeli war, the banks were landing more than their deposits. During that month, advances were \$975m compared with local currency deposits of \$987m.

As with Saudi Arabia and Kuwait, the problem arises from the policy of keeping interest rates low. Rates set by the Qatar Monetary Agency, with the aim of curbing inflation, have been restrained for many years now. At present, they stand between 2 and 9.5 per cent on advances and between 4 and 8.5 per cent on deposits.

Bankers in Qatar have been pointing out the discrepancy

which exists between these rates and those reached outside. Some have been offering customers a meagre increase on deposit rates to try to stop the flow of funds outside, thereby cutting their margins to what they call "suicidal rates."

But since the rise in prime rates in the U.S., the flow has increased. Part of the problem lies in the fact that the Qatar Monetary Agency is only yet a fledgling central bank. Its total staff complement is only 50, and its advisory role to the Government has been building up slowly over the years.

Mr. Majid Al-Majid, its managing director, said that the interest rate problem is still under study, but he could give no date when any recommendations would be made to the Finance Ministry.

According to one banker in Doha, more than \$32m has flowed out since interest rates overseas began to rocket towards the end of 1979.

Algeria to cut oil output

ALGIERS — Sonatrach, Algeria's state oil company, is, for technical reasons, to cut production by 2 or 3 per cent this year, from the 57m tonnes it has produced for the past two years, it announced yesterday.

The cut would only be temporary and production would rise next year to more than the figures for 1979, it added.

Algeria would have a refining capacity of 20m tonnes from 1981 as the newly-completed

Skikda refinery would be fully operational by then.

Oil officials said earlier that the 15-tonnes-a-year Skikda refinery had just been completed. First shipments would start this week.

Royal Dutch/Shell and Gulf Oil are expected to sign contracts this week with Kuwait for sharply lower supplies of crude oil, the Middle East Economic Survey reported from Bahrain yesterday.

Agencies

Salvador troops restore order after funeral riot

SALVADOR TROOPS took to the streets to restore order after the massive public funeral of murdered Archbishop Oscar Arnulfo Romero became a riot.

About 30 people were killed, some trampled to death, when gunfire and bombs sent thousands of mourners fleeing for their lives.

The body of Archbishop Romero, shot dead while celebrating mass last Monday, was about to be put in a crypt in San Salvador's Cathedral on Sunday when a series of explosions erupted in the cathedral square.

A stampede ensued. An estimated 300,000 people fought their way to safety, with church leaders from the Vatican, the U.S., Europe and Latin America.

The ruling civilian-military junta blamed leftist militants for the shooting and said they planned to steal the body of Archbishop Romero.

British observers, however, believed that troops reacting to the appearance of an orderly procession of left-wingers started the trouble.

Several cars were hurled and

some shops looted before security forces established order. Early yesterday troops were patrolling the city in force.

Ten months ago about 25 people were shot on the steps of the cathedral. Leftist militants and security forces accused each other of provoking that incident.

A Government statement said security forces could not have started the shooting because they were confined to barracks. The troops were only called out after violence erupted. But some troops were seen guarding the National Palace and banks near the cathedral.

The gunfire and explosions broke out soon after a leftist-organised "march of mourning" arrived at the cathedral square. Some eyewitnesses reported seeing leftists exchanging gunfire with snipers.

None of the foreign church dignitaries, headed by Cardinal Ernesto Corripio Ahumada of Mexico, was believed injured. All crouched behind the main altar for safety.

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World car sales forecast to increase 29% by 1985

By KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

NEW CAR sales will rise by just over 29 per cent from a worldwide total of 30.23m this year to 39.07m by 1985, according to the latest set of forecasts from Economic Models, the London-based international economic consultancy group.

Car production will continue to run ahead of sales, rising from 31.25m in 1980 to 40.16m in 1985.

The forecasters suggest that in the 15 major West European countries registrations will go up from 10.52m to 13m while output should increase from 11.58m to 14.05m during the 1980-85 period.

For the U.S. the figures are sales of 9.54m rising to 12m and production of 7.4m going up to 10.28m.

In Japan new registrations are predicted to advance from 2.97m to 3.79m while output should top the 7m mark by 1985 and move ahead from 6.62m to 7.81m.

According to Economic Models the outlook for both world sales and production in 1980 and next year are not particularly bright but it is optimistic for the prospects for 1982 onwards.

Apart from the general recovery in economic conditions which can be expected, the motor industry will benefit from a considerable increase in car scrapping towards the mid-1980s.

Economic Models reckons that expansion from 1982 onwards will be most rapid in France and Germany as these prosperous economies again record rates of growth of real GDP in the region of 3 to 4 per cent a year.

In France new registrations are expected to be in the region of 2.1m rising to 2.4m by 1985. In Germany new car registrations are expected to recover by 1985 from a decline this year to 2.56m and reach 3.1m by 1985.

The weaker EEC economies are also forecast to do slightly better after 1981 with Italy, in particular, benefiting from very high levels of replacement demand. Sales in Italy are expected to rise from 1.55m this year to 1.85m by 1985.

In the UK the forecast is less optimistic as new car demand is not expected to reach last year's 1.71m again until 1985 and will be down to 1.57m this year.

Economic Models predicts that, on the production side, the distinction of world car production between countries is not expected to change dramatically before 1985.

The major car producers of France, Germany, and Italy will continue to expand in line with world markets. In the UK output is forecast to rise from 1m this year to 1.17m in 1985, a forecast which assumes volume production of 3L cars will continue throughout the period and that Ford and Talbot will maintain production facilities in the UK.

In spite of the low recent rates of growth of Japanese car exports the strength of the Japanese industry as an exporter should keep exports in the region of 4m into the mid-1980s.

Also U.S. exports are forecast to approach 1m cars annually. The World Car Forecasts Report, Economic Models, 30, Old Queen St., St. James's Park, London SW1H 9HP, £300.00.

France in new plea for U.S. fibre curbs

By TERRY DODSWORTH IN PARIS

THE FRENCH artificial-fibre manufacturers have made a further demand for controls on U.S. imports following figures which show that the country has gone into deficit in this sector after several years of trade surpluses.

The producers say that imports of synthetic fibres rose last year by 20.5 per cent. Much of this increase was caused by a doubling of imports from the U.S., which the French put down to the strong price advantage now enjoyed by American products.

In stressing that this price advantage is due to lower raw material prices in the U.S., the French producers say that emergency duties are necessary immediately throughout the EEC. This warning reinforces steps which have already been taken by the French to push through Community-wide restrictive measures against the U.S. producers by the European Commission in Brussels.

According to the French figures, the deficit on synthetic fibre trading amounted last year to almost 59,000 tonnes. For the whole of the synthetic textile industry, including finished goods, it reached 108,000 tonnes.

Overall French production of synthetic products dropped last year by 5.3 per cent compared with 1978, but in the fibres industry, now going through a period of reorganisation, it rose by 6.6 per cent.

The figures show, however, that the increased fibres production has not met with a corresponding growth in the market. French textile deliveries dropped by 2.9 per cent within the country last year, and exports plummeted by 8.7 per cent, undermining the manufacturers' argument that cheaper U.S. products are affecting their position throughout the EEC.

French company in £19m Soviet pipe plant deal

By DAVID SATTIN IN MOSCOW

PONT-A-MOUSSON has signed a contract with the Soviet Union worth 175,187,500 roubles (£19.6m) for the delivery of equipment for a medium diameter pipe manufacturing plant in the city of Lipetsk.

The contract, signed with the Metallurg import foreign trade organisation, calls for delivery of equipment for making 600 mm pipe to be used in the water supply systems of Soviet cities. The plant will have a capacity of 180,000 tonnes of pipe a year.

The Soviets have made big purchases of large diameter pipe from West Germany and Japan for oil and gas pipelines for a number of years but this is believed to be the first purchase from a Western supplier of equipment for water supply lines.

Pont-a-Mousson defeated West German competition to win the contract, which took almost three years to negotiate. It is the second major contract to be awarded to a French company this month.

French commercial officials said the contract would be 95 per cent financed under the new Franco-Soviet export credit with the balance in cash. The exact terms of the credit are not known but the officials said that interest rates would be slightly above the OECD consensus minimum of 7.75 per cent.

Comecon moves into surplus with West

By ANTHONY ROBINSON

EASTERN EUROPE moved into surplus on its foreign trade last year in response to policies aimed at curbing the growth in Comecon's hard currency debt, according to the annual survey of Comecon country economies produced by the UN Economic Commission for Europe.

But the report makes clear that the shift from a 1978 trade deficit of about \$5bn (£2.8bn) to a 1979 surplus of about \$200m was due mainly to the higher prices received for Soviet energy and raw material products. For the rest of Eastern Europe, however, successful attempts to reduce imports led to severe production bottlenecks and probably introduced further imbalances into their economies.

The priority given to reducing trade deficits, coupled with harsh winter conditions, also contributed to an accelerated slowdown in economic growth which affected all the Comecon economies, except Bulgaria and East Germany, and led to an actual decline in Poland.

Average economic growth at 2.4 per cent was the lowest ever, ensuring that five year plan targets will be considerably under-

achieved even though average growth this year is planned to rise to the 4 per cent level achieved in 1978.

On the energy front, the aggregate production of energy materials rose by only 1.9 per cent last year compared with 3.3 per cent in 1978. Data on energy consumption is not available but in 1978 consumption rose by 4.4 per cent.

Energy and other shortages, exacerbated by transport and organisation problems, were reflected in a drop in industrial growth rates to 3.7 per cent last year for Eastern Europe as a whole compared with 5.1 per cent in 1978 and 6 per cent in 1977.

The high level of foreign debt, rising hard currency oil imports, supply bottlenecks and other restraints on economic growth are likely to be accompanied by further difficulties on Western export markets due in part to the anticipated Western recession but also to post-Afghan political factors. Under these conditions East-West trade is expected to "slow down considerably" the report concluded.

Temporary budget for Iran

By Simon Henderson in Tehran

A TEMPORARY one-month budget is expected to be approved in Iran because the compilation of the budget for the Persian year, which began a week ago, is still not complete.

Ministry of Finance official told a Tehran newspaper that the temporary budget would allow payments on development projects to continue. But slow payments are still reported by contractors.

The newspaper said the annual budget would be approved by the new Parliament which is not expected to sit until May.

Difficulties in receiving payment for development projects are reported to be still the major problem facing British companies.

However, there are indications that Iran wants to revive further its development plans which have mostly stagnated since being savagely pruned after the revolution.

A delegation from the national petrochemical company is in Britain seeking help on a project in Shiraz. Another, from IDRO — the Iran Development and Renovation Organisation — is expected in the UK soon in search of contractors for parts of light engineering factories.

Rhodesia railway problems far from solved

By BRIDGET BLOOM IN MAPUTO

KEY RAIL links between Rhodesia and Mozambique, which once carried three quarters of Rhodesia's external trade and an important percentage of trade from Zambia and Zaire, are unlikely to be fully restored before the end of this year.

According to officials in Mozambique, war damage on the main railway linking Rhodesia and Maputo, the Mozambique capital, has been more extensive than was at first thought and will take at least until November to repair.

The second line, which runs through eastern Rhodesia to the Mozambique port of Beira is at present able to handle only about 1,000 tons a day in both directions. Severe staff shortages and lack of maintenance facilities as well as some sitting at Beira Port will prevent any expansion in capacity for the rest of this year.

An additional obstacle to the resumption of trade along the two lines stems from Mozambique's decision in 1976, when it imposed sanctions against Rhodesia, to confiscate nearly 3,000 assorted wagons belonging to Rhodesian Railways.

Railway officials in Mozambique say that most of the confiscated wagons — said to number 2,796 wagons of various sorts including passenger coaches, as well as two diesel and three steam locomotives — have been taken over and are

being used by Mozambique Railways. A political decision would be needed to release them, an official said, adding that to replace them would cost

Britain's Export Credits Guarantee Department will now accept applications for insurance cover for exports to Zimbabwe of capital and semi-capital goods sold on credit terms exceeding six months. ECGD cover for UK exports to Zimbabwe sold on short-term credit terms has been available since December 1979, when trade sanctions were removed.

either Mozambique or the new Zimbabwe Government at least \$80m.

While there have been a number of meetings between Rhodesian and Mozambique transport officials since Mozambique lifted sanctions on Rhodesia last December, both sides remain cautious about the prospects for a rapid resumption of rail traffic.

So far, despite the agreement to run one train a day in either direction on the Umali-Beira line the only traffic carried has been Rhodesian coal from Wankie, which is mixed with Mozambique's own coal to power the steam engines used on the line.

No Rhodesian, Zambian or Mozambique officials, mean-

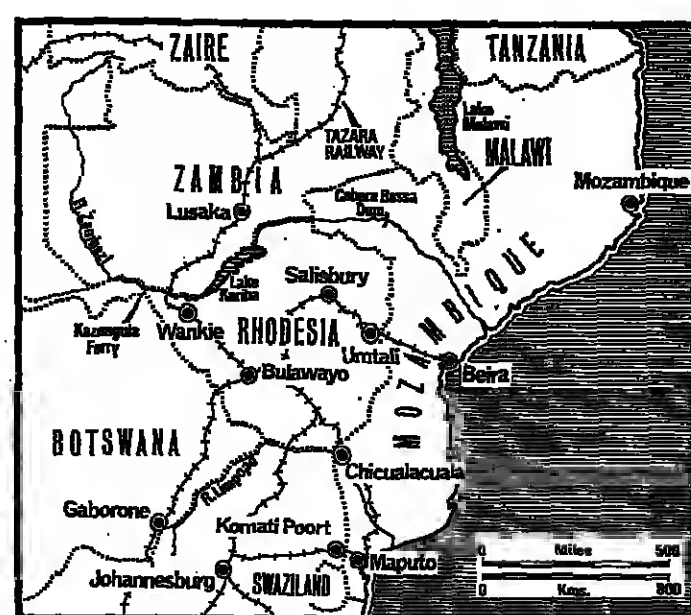
Zairean exports have yet used the line, which used to carry Zambian and Zairean copper, Rhodesian tobacco and a wide range of imported goods for all three countries, as well as for neighbouring Malawi.

Exporters in Salisbury say that while the reopening of the Beira line is the "first prize" it takes time to reroute goods and there is not yet the confidence that the Mozambicans can handle the mixed trade efficiently.

Mozambique faces a desperate shortage of skilled railway and port workers—7,300 men most of them Portuguese, left the railways following independence and the imposition of sanctions. They have been replaced by only some 300 people, many of them from East European countries. Mozambicans are being trained, but not fast enough.

The effects of the guerrilla war on the Maputo line, which crosses the Rhodesian frontier at Chicualacuala, appear more extensive than was at first thought. On the Mozambique side two key bridges were bombed by the Rhodesians and will take four to five months to repair. Some 60 kilometres of track on the Rhodesian side needs to be replaced, a further 80 kilometres in Mozambique has to be checked for faulty rails, sleepers and clips.

Mozambique officials, mean-



while, hope that Rhodesian exporters will consign goods via South African Railways through Komati Poort to Maputo, which is well equipped to take bulk cargoes of sugar and steel. However, the line could become congested over the next few months as South African maize and other agricultural exports pick up following Transvaal harvests.

In the longer term Mozambique, which used to balance its hefty trade deficit with rail and port earnings, has ambitious plans to expand its rail and port

capacity, including the widening and deepening of both Beira and Maputo ports. A small scale study of Beira has already been carried out by a British consultant, Bertlin Partners and Mozambique hopes for EEC financing for a larger feasibility study, to cost some \$2m. The Beira project would cost between \$120m and \$150m.

This and other aid to transport will be discussed when the EEC Commissioner for Overseas Co-operation M. Claude Cheysson visits Rhodesia and Mozambique this week.

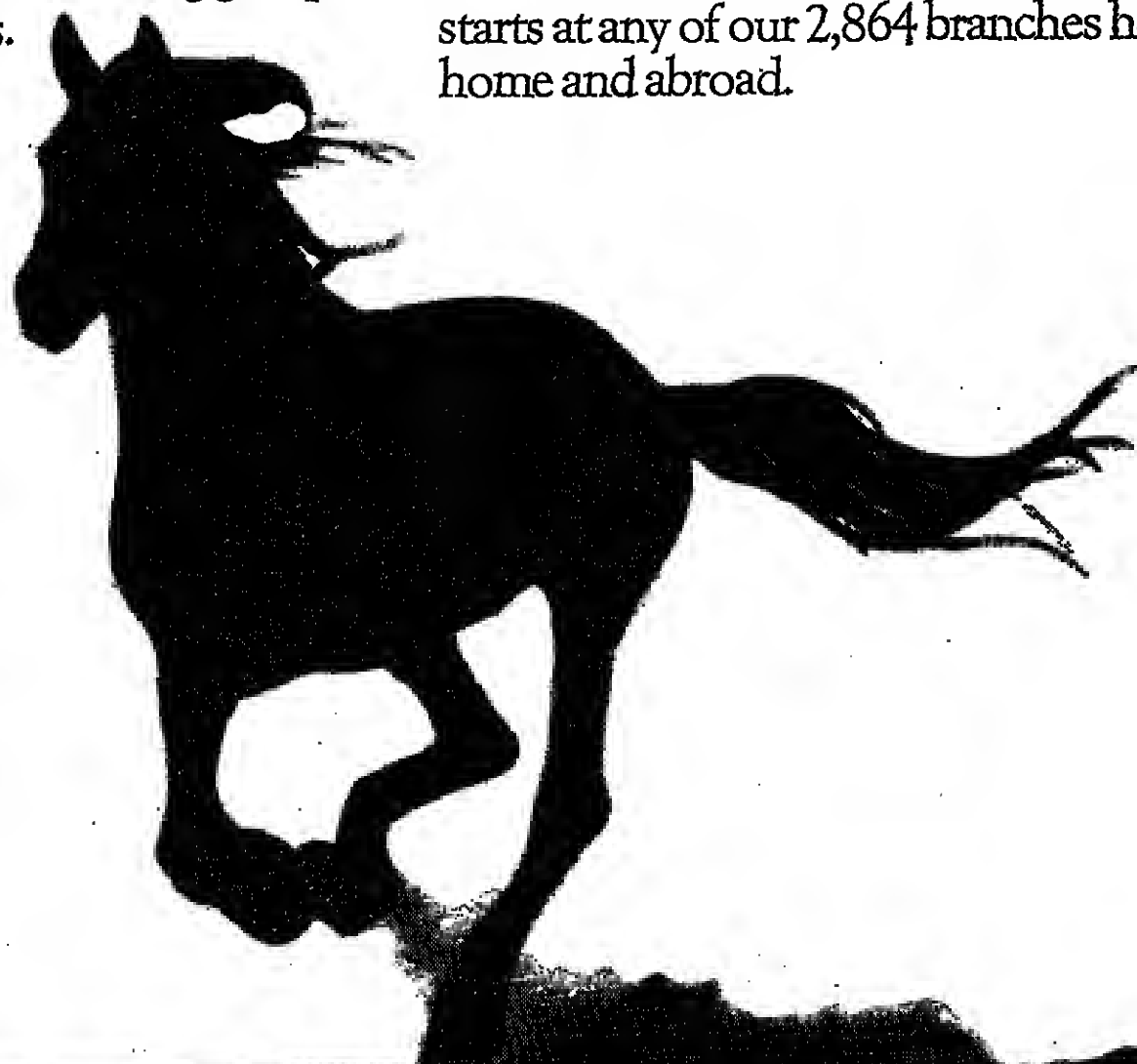
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UK NEWS

Petrol at pump 40% up in year

BY SUE CAMERON

THE PUMP price of four-star petrol rose by 40 per cent last year—from 84p a gallon in February to £1.20 a gallon in December—according to statistics in Petroleum Review, published by the Institute of Petroleum.

Petroleum Review also shows that 1,815 garages closed in 1979—a record. The figure represents 6.4 per cent of the 28,480 petrol stations operating last year. In 1978, only 1,464 retail outlets shut. The report says the "worst previous year for closures" was 1973 when 1,517 petrol stations disappeared.

Petrol stations supplied by Esso and Shell—which between them deliver to 40 per cent of all retail outlets—were particularly hard hit by 1979's high closure rate. Esso lost 618 of its 5,931 sites, and Shell 917 of its 5,440 outlets.

In spite of the closures, retail sales of petrol continued to grow last year. Sales increased by 2 per cent, but this was well down on the growth rate for 1978.

Profit margin

Shortages of petrol last year, caused by the revolution in Iran and the subsequent world oil crisis, enabled retailers to obtain what the report calls "a reasonable profit margin," estimated to have been between 9 and 13 per cent.

The average amount of petrol sold by retail outlets rose by 7.3 per cent to 188,033 gallons for each garage. This probably reflects the 7.5 per cent rise in the number of self-service stations operating last year.

The report blames the Organisation of Petroleum Exporting Countries for the increase in petrol prices last year—as well as the Iranian crisis.

It points out that the retail petrol price index has now risen by considerably more than the retail price index.

Anglo Petroleum and Amoro (UK) are to expand their petrol supply operations in central Wales as a result of discussions with the Department Board for Rural Wales.

Stockjobbers to buy Rothschild stake

BY CHRISTINE MOIR

WEDD DURLACHER Mordaunt, Britain's largest stockjobbing firm, is planning to buy out its only outside partner, Rothschild Investment Trust.

Rothschild has been entitled to 15 per cent of Wedd's after-tax profits since 1970, when it subscribed £1.2m to the firm. Now it has agreed to an approach from Wedd which will sever the link in about a year.

Under the complicated repurchase arrangements Rothschild and Wedd are believed to have agreed an exit price which will be met from Wedd's profits during the current year and beyond, if necessary. Rothschild will, therefore, remain a partner, at least until April next year.

Wedd has not disclosed profits since it reverted to being a partnership in 1975 after several years as a limited liability company. In 1975 its pre-tax profits were £499,000, following losses of £398,000 the previous year.

Since Rothschild obtained its interest in the jobbing firm the number of partners has grown from 35 to 53, and the plan to buy out the trust arises largely from pressure by the newer partners for a fairer share of the partnership profits.

From the trust's point of view, the investment, described as "successful" in the official statement yesterday, has been

inhibited by Stock Exchange rules which prevent any outsider from building up more than 15 per cent in a member firm, or becoming involved in its management.

Rothschild Investment Trust, with a policy of active direct investment, has clearly been less than fully satisfied with such a passive shareholding, hence its agreement to Wedd's offer.

From Wedd's point of view, the main benefit is one of independence. Mr. John Robertson, senior partner, confirmed yesterday.

Buying out Rothschild would give Wedd the flexibility to adapt to any pressure for change in the future without the obstacle of having a significant existing shareholder, and one which is part of a major merchant bank.

Mr. Robertson's statement reflects growing awareness among jobbers and brokers that the 1980s could produce major structural changes in the Stock Exchange including, possibly, the breakdown of the separation between principal and agent.

Mr. Donaldson, who had helped to found the company in 1958, said that in addition to the High Court move an application would be made for compensation for unfair dismissal.

The Board of F.C. Finance met in Manchester on Friday, and voted in favour of Mr. Donaldson's departure, which was effective from yesterday.

A company official yesterday confirmed that the termination

of employment was partly related to the service agreement, but said that the company had nothing to add to its statement of last week. That attributed his departure to "certain unresolved differences."

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Ex-chief sues FC Finance

BY ALAN FRIEDMAN

THE DISMISSED managing director of F.C. Finance, the Co-operative Bank, is to sue his former employers in the High Court.

Mr. J. Donaldson said yesterday that his departure arose from differences over a service contract.

"I was dismissed because I refused to sign a service agreement containing terms of employment which are substantially inferior to the terms upon which I had hitherto been employed," he said.

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of employment was partly related to the service agreement, but said that the company had nothing to add to its statement of last week. That attributed his departure to "certain unresolved differences."

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Higher oil tax 'to yield £2.3bn'

BY RAY DAFTER, ENERGY EDITOR

TAXES ON North Sea oil are expected to yield an extra £2.3bn over the next five years as a result of Budget proposals to lift the rate of Petroleum Revenue Tax from 60 to 70 per cent.

An assessment of the impact of higher tax levels shows that the major benefits will be felt in the period 1981-84. In 1983, for example, the higher level of PRT should add some £700m to the £1.2m already expected from the various North Sea taxes, according to the latest North Sea report from stock

brokers Wood, Mackenzie.

On the other hand, the tax take in 1985, which was expected to be about £15bn, could be only £100m higher.

Oil companies pay three basic

	POTENTIAL GOVERNMENT RECEIPTS FROM NORTH SEA OIL					
	1980	1981	1982	1983	1984	1985
Revenues from existing tax system	2.8	5.6	8.5	11.2	13.2	15.0
Increase with 70 per cent Petroleum Revenue Tax	+0.2	+0.5	+0.3	+0.7	+0.5	+0.1
Potential Tax Take	3.0	6.1	8.8	11.9	13.7	15.1

Source: Wood, Mackenzie

taxes: royalties, PRT and Corporation Tax. Offshore operators are allowed to offset various expenses, including development costs, against PRT.

These allowances influence both the amount and the timing of PRT payments.

Wood, Mackenzie calculates that the proposed tax changes,

which include an advancement of some payments, will increase taxation from 77.5 per cent of net oil revenues to nearer 79 per cent.

In contrast, the Norwegian tax proposals for North Sea oil companies could raise the tax level from 77 per cent to 85 per cent.

New-type phones go on show

BY GUY DE JONQUIERES

THE POST OFFICE yesterday unveiled the first of a new generation of telephones designed specifically for use with System X, the fully electronic telephone exchange to be installed in the UK over the next decade.

The telephones consist of a flat console with a streamlined handset and will be available with either push buttons or a conventional rotating dial. They are designed to accept plug-in attachments, such as a small loudspeaker to allow "hands free" conversations.

Further versions of the new telephones will be launched during the coming months, including models which can store up to ten frequently called numbers and which automatically re-dial an engaged number.

The Post Office also plans to offer next year an office extension version with a bigger and more versatile console, to be used with a small electronic switching system which it is developing.

All the new telephones will use multi-frequency dialling, which transmits dialled numbers to the exchange in the form of electronic beeps.

This technique, already widely used in the U.S., reduces dialling time, particularly on push button telephones.

The new telephones, to be manufactured initially by General Electric Company (GEC) and Pye TMC, will go on trial in Leeds and Sheffield next autumn. It may then be introduced elsewhere in the North East and in London before being offered throughout the country in 1981-82.

It is intended eventually to replace the current standard model, known as the 746, although the two are likely to co-exist for some years.

New venture fund for small businesses

BY CHRISTINE MOIR

THE NATIONAL Coal Board pension funds have taken up 45 per cent of the equity of a new venture capital fund which will specialise in investments in small businesses.

The fund, to be called the Thompson Clive Capital Growth Fund, has a capital base of £2m. Its first investment, of £30,000, has been into Gamma Ltd, a small high technology company operating in the field of medical laser equipment.

Mr. David Anthony, deputy director-general of the NCB Fund, said the new fund intended to invest in companies needing less than £100,000. It was difficult for major pension funds to find the management time and capacity to handle such small investments. The new fund would provide the necessary management.

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The decision to allow the merger, which was refused in 1977, did not, she added, imply any relaxation of policy on newspaper mergers. The company's move to buy the West Somerset Free Press has recently been referred to the Monopolies Commission.

Men and Matters, Page 22

Controversy over 'top salaries'

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

POLITICAL controversy is once again building up over what are known as "top salaries"—the pay of senior public servants in industry, the civil service, the judiciary and the armed forces.

The pay of nationalised industry chairmen is causing most bother, as it has since 1974, when the seeds of the present controversy were sown by the Labour Government's refusal to make recommended increases.

Sir Charles Villiers' salary as chairman of the British Steel Corporation goes up today from £41,695 a year to £48,500.

This is a rise of about 17 per cent, which is not much above the percentage being proposed for settling the steel strike. But politically it is embarrassing because of the much larger cash sum involved and because a further up-dating rise is to be proposed for Sir Charles and others in a few weeks' time.

About 2,500 people benefit from these rises. They include the chairmen and board members of all nationalised industries, who are graded from the British National Oil Corporation at the top down to the

Lonrho 'could be running Shotton in six weeks'

BY ROBIN REEVES, WELSH CORRESPONDENT

LONRHO would hope to take over the British Steel Corporation's Shotton works in about six weeks, given a deal acceptable to both sides, Mr. Derek Norton, chairman of Lonrho's Hadfield subsidiary, said in Chester yesterday.

At the end of his first—evidently successful—day of exploratory discussions with BSC senior management and Shotton workforce representatives, Mr. Norton said he and his team would take about a month to complete their investigations before making BSC an offer.

"If the terms were acceptable, we would hope to be in the works in six weeks' time," he said.

Mr. Norton reiterated that if Lonrho was interested at all, it would want Shotton "lock, stock and barrel."

"We are not interested in scrap machines. We want the site as an entity," he added.

But a cautionary note was struck by Mr. Peter Allen, managing director of BSC's Welsh division. He said BSC had no intention of selling the finishing end of the Shotton works.

Value

As far as BSC is concerned, it is one of the best businesses in the corporation," he said. But he conceded that BSC could not prevent Lonrho from making an offer, and that at the end of the day, everything had a price.

But yesterday, both sides were studiously avoiding putting a figure on Shotton's value

in its present state. Speculation that a figure of around £150m would be a reasonable price were dismissed by BSC sources as very unrealistically low.

The current run-down at Shotton with 6,400 redundancies affects the heavy-iron and steelmaking—end of the works. But BSC is clearly keen to keep the finishing—steel strip coatings complex—end which was recently modernised at a cost of £85m; although since the steel strike started it has announced plans for a further 900 redundancies in this section as part of its general retrenchment programme, reducing the workforce to 3,300.

But Mr. Norton suggested that if the takeover was successful it could create thousands rather than hundreds of new jobs on the site, which last December was employing 10,500.

Union representatives were clearly heartened by their talks with Mr. Norton. Mr. George Cooper, divisional officer of the main steel union, the ISTE, said: "We want to retain an integrated steelworks. If BSC are not willing to provide this, but a private company is, we look upon it favourably."

The Lonrho team is to tour the Shotton site today and also meet Clwyd County Council representatives who, together with the Shotton workforce action committee, were first responsible for the Lonrho initiative.

BSC plans to make a full statement at the end of the visit.

Shipyard workers face lay-offs over steel strike

BY OUR SHIPPING CORRESPONDENT

COCHRANE SHIPBUILDERS, one of the few privately owned British shipyards, may start laying off its 400 workforce because striking steelworkers have prevented deliveries of oxygen.

The shipyard, which recently won orders for two small bulk cargo ships, has less than a week's supply of bulk oxygen, which it needs for cutting steel. Last week the driver of a

British Oxygen Company lorry was persuaded not to cross the picket line.

The pickets have been preventing deliveries of steel for some time, and last week decided to widen picketing to cover oxygen deliveries.

Cochrane Shipbuilders is based in Selby, Yorkshire, and is part of the North British Maritime Group.

Poor productivity blamed for engineering decline

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

POOR PRODUCTIVITY in the UK engineering industry is the main cause of its deteriorating performance over many years, according to a report by stockbroker Laing and Cruckbank published today.

The report minimises the part played by the strength of sterling on the level of exports and the big rise in imports of engineering products.

After adjusting for inflation, the returns of engineering and motor companies have been on a declining trend since 1960—well before the problems now arising from the strong pound. The share of home and export markets has been declining throughout the 1970s, for which the lower output per employee in the UK industry against its competitors bears much of the responsibility.

In the second half of the decade there was a fall of 7 per cent in output per man in the industry, and the report is sceptical about the productivity improvement promised in return for the shorter working week agreed with the unions last year.

Machinery imports have risen sharply over the past 10 years, except for a slight dip in 1974

and 1975 which reflected recession.

The trend of machinery exports was rising between 1970 and 1974, but since then the volume has been flat. The report says it is significant that exports were static during 1975 and 1976 when sterling was weakening.

The influence of sterling on engineering exports became apparent only at the beginning of 1979. Before then, the report suggests that companies could have been more aggressive in putting up prices, but this is no longer an option in recessionary conditions.

"In theory, the effects of a strong pound could be beneficial by encouraging a shift up-market into higher value-added products," says the report, but it warns that "under current economic conditions, there is the danger that a low rate of growth may be transformed into real economic decline. The period of transition and the catalytic effect of a strong currency is thus likely to be traumatic."

Engineering in the Eighties.

Another Ladbroke club sale planned

BY ANDREW FISHER

LADBROKE GROUP yesterday announced a further move to loosen its ties with the casino business through the sale of another provincial club, this time in Leicester.

It plans to sell the Ladbroke Sporting Club there to an unnamed private company for £1.75m in cash, subject to the gaming licence being transferred. Such a transfer will be up to the licensing justices this summer, depending on whether the Gaming Board consents in an application.

Ladbroke said on Friday that agreement had been reached for the sale of five of its 11 provincial casinos to Reo Stakis, the Glasgow-based hotel and leisure company, for £4.43m cash.

The group's piecemeal sale of its provincial clubs follows the loss of licences at three Mayfair casinos in London, with the Gaming Board attempting to have the licence of the fourth London club cancelled.

Ladbroke still intends to lodge an appeal against the withdrawal of the licences after the recent refusal of the High Court to have the matter reopened.

On the Stock market, Ladbroke shares moved up a further 3p yesterday to 132p as investors reacted favourably to the group's gradual move out of casinos.

Court move on shipping dispute

By Raymond Hughes, Law Courts Correspondent

SHIPOWNERS operating under flags of convenience will be interested in a ruling to be given by a High Court judge tomorrow on the activities of the International Transport Workers' Federation.

The federation was sued by Universe Tankships of Monrovia—part of the group headed by shipping magnate Daniel K. Ludwig—after the "blacklisting" of the 269,000-ton tanker Universe Sentinel at Pembroke Docks in 1978.

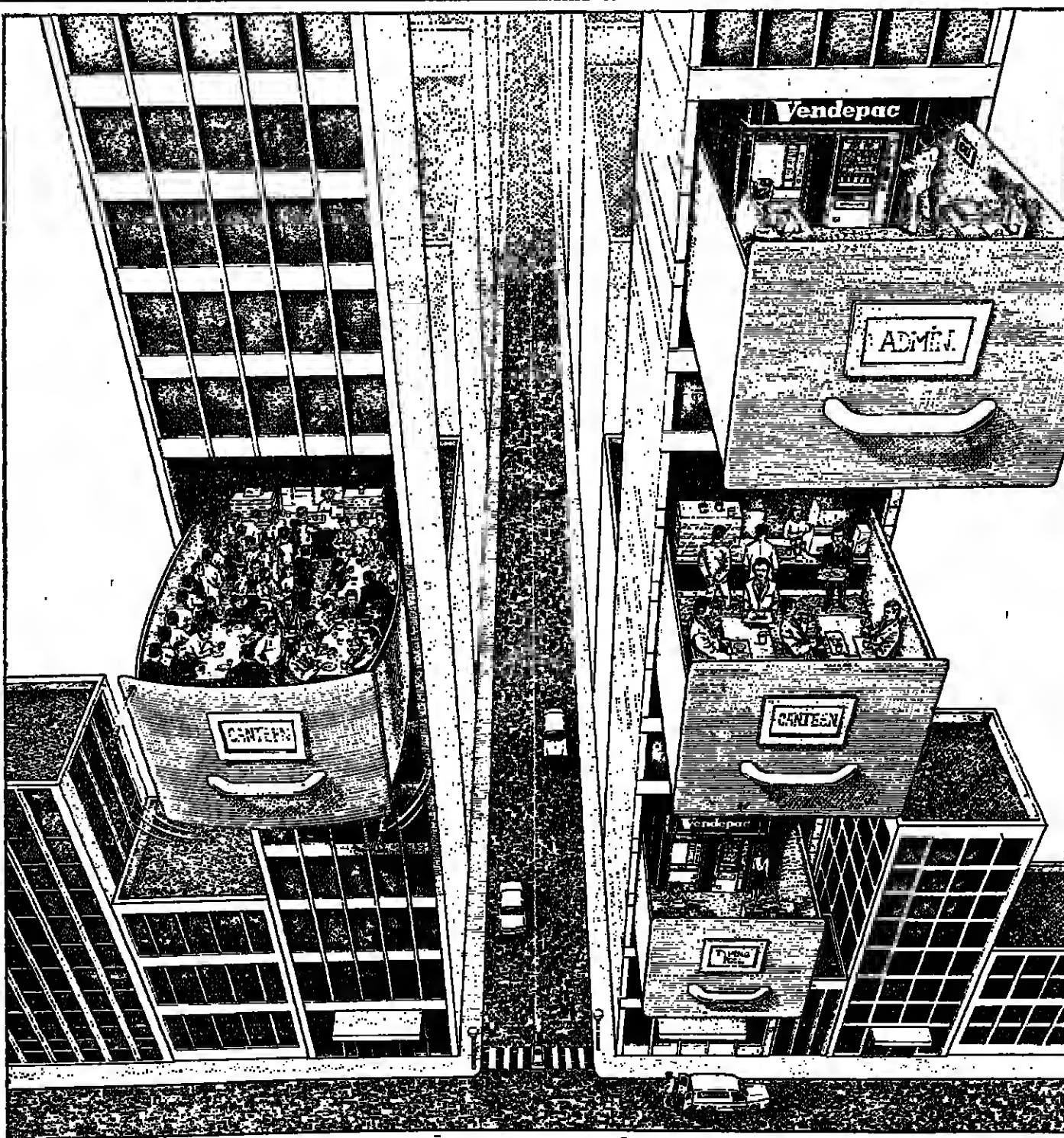
Universe complained to Mr. Justice Parker in the Commercial Court earlier this month that part of the price demanded by the federation for the vessel's release was a payment of \$6,480 into the organisation's welfare fund.

The company argued that the demand was unlawful and that the federation should be ordered to repay the money.

Shipowners badly need a court decision in their favour in their running battle with the federation over its efforts to bring the terms and conditions of employment for seamen aboard flag of convenience ships in line with ITF standards.

Recent House of Lords decisions have tipped the scales firmly in the federation's favour. The Law Lords' ruling in the Nawlana case deprived Universe Tankships of a part of its present claim.

When it issued its writ it claimed that agreements it had signed with the federation were invalid because they had been signed under duress. That claim had to be dropped when the case came to court because the Lords had ruled in Nawlana that action taken by the federation to secure agreements on seamen's employment terms was in furtherance of a trade dispute and therefore lawful.



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Some price inquiry powers to remain

By DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE GOVERNMENT will have the power to investigate price rises of major public concern when the Competition Act becomes law this week.

The new legislation, which formally abolishes the Price Commission, is primarily intended to improve competition between companies. The Office of Fair Trading will have the power to investigate any anti-competitive practices carried out by a single company which may prevent or distort competition in the market.

Then the office can refer the company to the Monopolies and Mergers Commission for a six-month investigation, which can lead to the Trade Secretary forcing the company to abandon its anti-competitive practice.

But the new legislation also includes a little-publicised clause giving the Trade Secretary the power to order the Office of Fair Trading to investigate price rises imposed by individual companies. Nationalised industries' price rises can similarly be probed. He is limited by the new law to ordering an investigation only into those price rises which are deemed to be of major public concern.

The Office of Fair Trading will use its own officials for the

price investigation, but will be assisted by outside consultants commissioned by the OFT for the investigation. The length of the investigation will be determined by the Trade Secretary when referring the matter to the office.

In addition to giving the facts behind the price rise, the office can also make any additional comments which it considers relevant to the company's price rise.

Although the Trade Secretary does not have any direct powers to control prices following this price investigation, he could take action by invoking other price control powers available under the new Act.

The Government has made clear that it is unlikely to make frequent use of its power to order price investigations, since it prefers to concentrate on the long-term objective of letting increased competition keep prices under control.

However, with the inflation rate now almost 20 per cent, the Government may eventually find it politically necessary to be seen to be active in curbing large price rises.

It has also been pointed out that this price investigation procedure will also be available for use by any future Govern-

ment which is more willing to intervene on prices.

The Government's detailed approach to the issue of competition policy is expected to be made clear today at a conference organised by the Confederation of British Industry. Mr. John Nott, Trade Secretary, and Mr. Gordon Borrie, director-general of fair trading, will be speaking on the philosophy and practicalities of the new policy.

Sir John Methven, director-general of the CBI, is also expected to give industry's view of the new powers.

The CBI is becoming increasingly concerned at the lack of a clear-cut definition of the practices which will be considered anti-competitive by the Office of Fair Trading, since there is no firm definition contained in the legislation.

Although the Competition Act seems likely to receive the Royal Assent on Thursday it may be several weeks before the first company investigations are under way because enabling orders have to be laid before Parliament for a certain length of time.

Four companies are likely to be named in the first batch of investigations.

Carrier order for Swan Hunter

By Our Shipping Correspondent

BRITISH Shipbuilders has won an order for a 29,900 dwt products carrier. Over the last seven months the nationalised shipbuilding organisation has won orders for 750,000 dwt of new ships.

The carrier will be built by Swan Hunter for Ingram Tankships of London, a subsidiary of Rowbotham, the UK arm of the U.S.-based Ingram Corporation. Rowbotham is a leading carrier of clean petroleum products and chemicals in the short sea trades around North West Europe.

The ship is the first of a new design of special tankers which British Shipbuilders is promoting for the 1980s. It will be suitable for trading in clean products, and will be fitted with a Barmister and Wain engine, to be built by John Kincaid on Clydeside.

When British Shipbuilders announced its plans for reducing its shipbuilding capacity last September, it set itself a target of securing orders for 45 ships to carry it over the period from September, 1979 to July, 1981.

Mr. Michael Casey, British Shipbuilders' chief executive, said yesterday that the new order brings the total value of work won since the target was announced to £265m.

Heseltine faces problem over rates penalties

By ROBIN PAULEY

THE GOVERNMENT will have to choose from more than 150 local authorities, who have exceeded its 119p in the pound target, to determine the 10 to 20 it will seek to penalise for overspending.

Figures released yesterday by the Ratings and Valuation Association, based on a survey of 84 per cent of local authorities in England and Wales, show that the overall average of general rate increases has almost matched Government targets in percentage terms.

But some of those above the targets are so much higher that the penalty threshold will be nearer 150p than 119p.

Officials of the association said yesterday that their statistics make nonsense of recent claims by Mr. Michael Heseltine, Secretary for the Environment, and Mr. Tom King, Local Government Minister, that rate rises were averaging out at far above the Government's wishes.

They said that the average per cent increase in general rate levies was 21.45 per cent compared with the Environment Department's increase in the national uniform rate of 21.38 per cent. The corresponding figure for domestic ratepayers was 26.93 per cent, compared with the national percentage

increase of 26.35 per cent.

It is clear from the association's statistics that Mr. Heseltine will have to consider not only actual rate levels, but also the percentage rate increases which have caused those rises when he looks for authorities to penalise—by clawing back a portion of future grant.

Officials of the association estimated that, as the average rate increases match almost exactly Government targets, there may be a case for not penalising anybody this year, a course of action which would avoid a lot of ill-feeling between the Government and the exclusively Tory-controlled local authority associations.

Committed

But Mr. Heseltine is so politically committed to trying to bring into line the worst of the so-called "badies"—authorities which ignore Government requests for cuts in expenditure, and raise their rates to cover "profligate" spending—that there seems no chance of backtracking by him.

He is also committed to trapping at least one high-spending Conservative authority to avoid seeming to attack local authorities on party political lines. He may, therefore, make allowances

if determined efforts to cut spending have been made, and special circumstances apply.

In England, excluding London, possible victims include Manchester at 156.6p in the £ (up 24.6 per cent on 1979-80); Doncaster, 157p (up 30.8 per cent); Sheffield 151.3p (up 37.6 per cent); Newcastle, 176.5p (up 32.7 per cent); Liverpool, 142.85p (up 41.30 per cent); Langhaurgh, Cleveland, 144.5p (up 39.8 per cent); Middlesbrough, 145.5p (up 38.8 per cent); and Stockton, 140.5p (up 46.4 per cent).

They are all Labour-controlled authorities. Some imposed increases because they have no substantial balances to cushion the rises.

This will be the case increasingly next year, and many ratepayers will face much higher percentage increases then.

Many rates in the pound in Wales are far over 119p, but the percentage increases are lower. Nearly all Welsh rates are anomalous because of the very low rateable values.

In London, special multipliers have been applied by the Environment Department to adjust for the very high rateable values. This puts all but two (Bromley and Redbridge) over the 119p mark.

Private bus service preferred

By Lynton McLain

GOVERNMENT SUPPORT for private rather than public road transport was underlined yesterday when a workers' private bus service was given the go ahead against the wishes of a local authority bus group.

The decision to support the wishes of workers at BSR factories at Cradley Heath, West Midlands, for a private bus service was taken by Mr. Norman Fowler, Transport Minister.

The move follows a two-year fight by a local company, Holdens Coaches of Dudley, to start private services. It is widely expected to set the pattern for bus development in Britain along lines in the Government's Transport Bill, calling for more free competition.

The decision reverses a ruling by Mr. William Rodgers, when he was Transport Secretary in the Labour Government. He rejected plans by Holdens Coaches for a private bus service to serve local factories.

When the local bus authority appealed against a decision to grant a short-term licence it admitted that its service could not cope with the extra factory workers. The transport executive offered to put on another bus, which would run at a loss. Mr. Fowler yesterday overruled the objection to Holdens Coaches starting the service.

Midlands companies' export orders rise

By ARTHUR SMITH, MIDLANDS CORRESPONDENT

MANY MIDLANDS companies are reporting an increase in overseas business, according to the latest economic survey conducted by the Birmingham Chamber of Industry and Commerce.

Mr. John Warburton, director of the chamber, said: "Firms are making valiant efforts to maintain a high level of activity in spite of the extremely trying circumstances." "Home trade is depressed but export order books are strong and overseas business is picking

up for many companies. "Production has kept up well and although there are signs that the cash flow position is deteriorating, it is not as serious or as rapid as might have been expected in view of the high interest rates," Mr. Warburton said.

The fact that planned levels of investment were not being reduced in spite of predictions that the country was moving rapidly towards recession provided "a hopeful sign for the future," he said.

Manx to take over Customs House

By WILLIAM CLUCAS

AN ERA ended when the doors of the Customs House in Douglas closed yesterday afternoon. For the last time the officials working there were officers of the British Government.

When the doors reopened this morning it was on behalf of the Manx Government, in control of the island's customs service for the first time since 1783.

As control over the island's affairs has increasingly been assumed by Tynwald, the Parliament, and as the island has developed industrially with a strong financial sector, pressure has mounted for indirect taxation control to pass from the British to the Manx Government.

VAT records

The introduction of value added tax to indirect taxation added to the pressure, because of the new-found importance to the Manx economy of the financial sector. While VAT records were kept by the British Government there were always fears in the financial sector that the VAT computer records of companies could be leaked to other British Government departments.

Now the two governments are partners in a Customs Union, and changes in indirect taxation made in Britain do not automatically apply in the Isle of Man. Until now, under the Common Purse agreement which the new agreement has replaced, the scope for the Manx Government to vary indirect taxation rates was very restricted. The minor differences possible were hardly noticeable factors in the cost of living.

To understand why Britain kept such a tight grip on Manx indirect taxation, a look at the island's relations with the mainland is needed. In the Viking era the ruler was the Norse King of Man and the Isles, latterly the Inner Hebrides. Later the island was sold to Scotland and in 1405 the Lordship of Man was given to the Stanley family, later to be Earls of Derby.

These hereditary lords had great freedom, and in many ways the Isle of Man became an independent country. When Britain started to impose Customs duties on imports, the island developed a lucrative smuggling trade. Goods were openly landed, whatever tax the Lord imposed paid, and then shipped quietly out to the Cornubian coast.

In 1765 under the British Revestment Act, the Lordship of Man passed to the Crown. Because the smugglers were hitting British revenue hard, revenue officers were sent to the island, and its coast was patrolled. The smuggling did not stop,

and to try to reduce its dutiable goods were only allowed to be imported to the Isle of Man under licence.

This was a dark age in Manx history, and one which has left bitter memories.

Not until 1866, with the advent of an elected House of Keys, did Britain start to relax its stranglehold on the island's finances. Although the governor retained control of internal revenue a new customs agreement, the Common Purse, gave the Manx Treasury a right to customs revenue.

Under the agreement Britain staffed the customs houses, but the island received a portion of the total revenue raised by indirect taxes. This was based on the resident population plus an agreed figure for tourists visiting the island. Thus when tourism prospered so did the revenue from the Common Purse. But tourism, while it is still important to the Isle of Man, is not the major source of revenue it was. The changes in indirect taxation, and the structure of the economy caused the demand for greater freedom, and the long negotiations which culminated in the Customs Union agreement which came into force today. And because it is not an imposed agreement, it can be abrogated by Tynwald. So after 215 years the Manx Treasury is master of its own house.

So when, on May 27, Mr. Percy Radcliffe, Finance Board chairman, presents the budget to Tynwald, for the first time he will be able to announce rates of direct and indirect taxation fixed by the Board, not in London.

The Board is now studying the estimates of the various government departments, and Mr. Radcliffe has warned that the level of public expenditure is under close examination. There can be little doubt that schemes promoted hard by various departments will fail to win approval.

Barriers

Recently, Mr. Radcliffe gave some indication of his strategic thinking. Some would like the island to emulate the Channel Islands in having lower duties on alcohol and tobacco, but says Mr. Radcliffe, would mean customs barriers and problems for the industrial sector of the economy, in which he would like to see continued growth.

Lower VAT rates have also been urged and the British 15 per cent rate has hit the island's cost of living hard. But there are indications that the island may be reluctant to relinquish the 210m it brought in during the last financial year. However, Mr. Radcliffe thinks there is scope for changes in the structure of VAT rates because of anomalies in the application of the tax.

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Savings must be found, says Jenkin

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

A GOVERNMENT drive to cut back on wasteful spending in the National Health Service and in local authority social services was outlined in the Commons last night by Mr. Patrick Jenkin, Social Services Secretary.

Opening the third day's debate on the Budget, he said the total cost of the NHS next year will be nearly £8.2bn at 1979 prices. "I have no doubt whatever that there is plenty of scope for getting value for this money," he declared. Health authorities would be expected to press ahead resolutely with the elimination of bogus incentive schemes and other unsatisfactory working practices of ancillary workers and ambulance men which had been identified by the Clegg Commission.

"I am also taking steps to see that the most glaring examples are brought to the attention of management by my department," he added. "We shall want to know, if action is not being taken, why it is not being taken."

He recognised that local authorities faced very difficult decisions on personal social services. Some were saving by raising charges, cutting down on administration and trimming non-essential services. In others, however, elected members were too ready to accept without question significant cuts in services for vulnerable groups.

"It really is the exceptional local authority officer who will voluntarily propose reductions in his own immediate headquarters staff," said Mr. Jenkin. "It is for elected councillors to



Patrick Jenkin: curbing growth. Stan Orme: attacking the Budget.

insist that savings should be found wherever possible by cutting down administration rather than by attacking services."

He pointed out that he was doing this in his own department. Since last May, nearly 2,000 DHSS posts had been phased out, almost 2 per cent of the total. In his headquarters departments the cuts were three times as big, 6.5 per cent. A further 2,400 posts would be cut back during the coming year.

"It requires constant, unremitting pressure from elected members to force officials to

make administrative savings," he insisted. "It is inescapable that the growth of the Social Security budget should be curbed."

At the same time, he stressed that even after savings, the Social Security budget would still grow at 2 per cent a year. Mr. Jenkin maintained that the Government had done a great deal to safeguard and improve social services.

"If I am supposed to be murdering the welfare state I am bound to say I am setting about it in a pretty run way," he commented.

Mr. Jenkin also reiterated the

Government's determination to bring down the Public Sector Borrowing Requirement as a percentage of GDP. He recalled that Mr. Callaghan, Opposition leader, in a television interview on Sunday had suggested that the Government should borrow another £2bn. But Mr. Jenkin dismissed this as a "soft option."

Defending the decision to increase NHS charges Mr. Jenkin declared: "This Government believes it is sensible to let charges make their contribution towards increased spending. What really matters is that the facilities of the Health

Service should be there when they are needed."

He stood by the controversial decision to raise prescription charges to £1 in December and emphasised that this only covered one-third of the real cost of drugs.

There were angry Opposition shouts of "come off it" when he defended the decision to increase child benefit by only 75p and said that in all the circumstances this was a fair judgment.

From the Opposition front bench, Mr. Stan Orme, Labour's Social Services spokesman, attacked the Budget as seeking to destroy "the very basis of the Welfare State."

He denounced it as a "class Budget" aimed at the worse off in the community.

Two and a half million people caught in the poverty trap would receive no additional help as a result of the Budget.

With the cutback in benefits, he said, the average working man who paid £9 a week in contributions would soon be asking: "What am I paying this for?"

Mr. Orme also condemned the Government's plans to reduce supplementary benefit to the families of strikers. He saw this as another Government move to attack the trade unions through legislation.

"This is an emotive issue created by the Government, with a great deal of assistance from the media who are trying to make a scapegoat within our society."

Civil Service unions near agreement on pay deal

BY PHILIP BASSETT, LABOUR STAFF

CIVIL SERVICE unions are drawing towards agreement with the Government on a pay deal which will give most of the staff in the largest grades increases of about 18-19 per cent. The increases include wide variations across differing grades.

While still insisting publicly that the increases should be paid in full from today (the due settlement date), the unions have accepted Government insistence that the deal will have to be staged.

There is considerable disagreement between the unions over what form the staging will take. This is likely to be aimed when the general secretaries and senior officials of all nine unions meet today.

A confidential paper which sets out ways of staging the deal has been drawn up by the unions' National Staff Side, after informal discussions with the Civil Service Department.

The paper says the larger the amount paid in a first stage before April, the longer the wait before the next stage can be paid. The overall cost is to be kept within the 16.85 per cent available from the cash limit and manpower cut announced last month.

CSD officials hope the staging

could be completed in one or two months. But the Society of Civil and Public Servants, the second-largest union, is keen that about 15 per cent be paid from April 1 with a smaller amount to follow.

The Civil and Public Services Association, the largest union, is pressing a further idea, which would move the due date from April to June, or more probably July, in line with the settlement for the industrial civil servants.

This would allow the increases to be paid in one amount, and would be the least expensive way for the Government to meet the cost of the deal.

Moving the data would prejudice future use of the Pay Research Unit comparability system to determine Civil Service pay increases. But officials are convinced the risk is worth taking since pressure is building up in both the CPSSA and the Institution of Professional Civil Servants to withdraw from the system.

Most unions have agreed or are very close to agreeing the size of the increases for their grades. The CPSSA executive has authorised Mr. Ken Thomas, CPSSA general secretary, to reach agreement after clearing

up an outstanding problem with the maxima for the union's two largest grades of Clerical Officer and Clerical Assistant.

The union has sent a circular to its members, who form more than a third of total Civil Service white-collar workers, saying the size of the deal is likely to be about 18-19 per cent.

One point on the union's scales shows an increase of just under 23 per cent, but the variations are wide. Last year one of the union's scale points had a 43.7 per cent increase, but the overall level for the main grades was 20-23 per cent.

The overall size is roughly the same for the SCPS. Officials of the First Division Association, which represents about 10,000 top civil servants, and whose negotiations follow closely those of the SCPS, will recommend acceptance of the deal to the union's executive tomorrow.

The Civil Service Union, which represents lower-grade staff, is also likely to be able to settle quickly since some of its grades' PRU-based increases fall below the 14 per cent cash limit figure, and range as low as 12 per cent. A number of the union's grades are likely to settle at around the CPSSA level.

Hold-up in salary offer angers power station managers

BY ALAN PIKE, LABOUR CORRESPONDENT

SENIOR MANAGERS in the electricity supply industry are angry at a threatened delay in their pay settlement while the Government awaits the recommendations of the 1980 Boyle top salaries review body for area electricity board deputy chairmen.

Pay increases of about 17 per cent were agreed for power station engineers last month, and these will be paid from today. But the Electricity Council declined to make any offer to the 1,700 power station managers who supervise the engineers until the Boyle recommendations are known.

Although the managers are not themselves covered by the Boyle terms of reference, the council apparently fears that an award at this stage could cause complications later in the year

when the review body's recommendations for area board chairmen and deputy chairmen are known.

The delay provoked protests on behalf of the managers at the Electrical Power Engineers' Association conference at Llandudno yesterday. Delegates expressed fears that the managers could be kept waiting until September if they have to delay until the 1980 Boyle recommendations are considered by the Government.

Union leaders will meet the Electricity Council again next month, and could be drawn into dispute if they fail to get an offer.

Mr. John Lyons, general secretary, said that the union was "not going to abandon the managers without a proper settlement," and in that sense there was no point in the Elec-

tricity Council waiting for Boyle. The main grades of managers earn between £13,400 and £18,750, and the most highly paid engineers will receive £16,000 under the new settlement.

An arbitration ward published this year recommended that the top salaries review body should be asked to consider the "apparently anomalous position" created by the Area Electricity Boards coming within their review.

Mr. Lyons has written to Mr. David Howell, Energy Secretary, raising the issue, and pointing out that the matter originally went to arbitration because in recent years the salary levels recommended by Boyle for managerial appointments in the electricity supply industry had increased at a much lower rate than salaries of other staff.

Engineering groups criticised

BY ALAN PIKE

SOME PROFESSIONAL engineering institutions are supporting the Finiston Report's central proposal for a new engineering authority "in such a way as to render the concept meaningless," Mr. John Lyons, general secretary of the Engineers and Managers Association said yesterday.

There were, said Mr. Lyons, honourable exceptions, including the institutions of electrical engineers and chemical engineers. However, the Council of Engineering Institutions was proposing the gutting of the authority by establishing three separate organisations instead of one.

The Institution of Mechanical Engineers wanted a weaker authority without the political standing proposed by Finiston. "The TUC has collected the preliminary views of unions

with engineering members and they are overwhelmingly in favour of the engineering authority," Mr. Lyons told the conference of the EMA's Electrical Power Engineers' Association at Llandudno.

"I believe that today trade unions better express the views of individual engineers than the institutions themselves," he said.

The conference resolved that everyone concerned with the role of the engineer in aiding British industry's recovery should give full support to the "central message and central recommendations of the Finiston report."

No Government decision has been taken on the report's recommendations for the engineering authority and changes in education and registration of professional engineers. The sub-

ject is high on the agenda for tomorrow's meeting of the National Economic Development Council.

Mr. Lyons said the central message of Finiston could be summarised very simply. He said in Britain the engineer was less well used, less well trained, less well regarded and less well paid, than in any major industrial competitor country. This was one of the principal reasons for the nation's industrial decline.

Establishment of the engineering authority would demonstrate that Parliament at long last recognised the central importance of the industry and it would "introduce an organisation able to speak for it at national, political level which for the first time will have real political clout."

Shorter hours deals increasing

BY PAULINE CLARK, LABOUR STAFF

NEARLY 20 per cent of workers have won agreements for reduced hours in the past two years, says a survey published yesterday by the Labour Research Department.

In what the department claims is the biggest survey published on the subject, 4m workers are shown to have been affected by 59 national and 247 local agreements.

Evidence that the trade union campaign to cut hours "has built up real momentum since 1978" is compiled in the department's latest issue of Bargaining Report, a bi-monthly publication for trade union negotiators.

The report says that apart from the engineering agreement, which dominated the total number of workers

covered by such agreements, there were "dozens" of other deals in industries affecting the public and private sector and non-manual workers.

Shorter hours agreements applied to a slightly higher proportion of private sector workers, but more than 1m public sector employees—15 per cent of the total—won 12 agreements.

Among white-collar workers, deals on a 35-hour week are becoming "a practical target" for negotiators, especially in industries such as printing which are affected by new technology, says the report.

The survey finds that nearly 750,000 workers already have

a shorter week because of agreements in force. About 400,000 are covered by national agreements, and about 300,000 by local ones.

Thirty-two national agreements affecting 3.6m employees are due for implementation between now and the end of next year.

A one-hour cut in the 40-hour week is a common formula for manual workers, but a number of major employers have agreed to bigger cuts, says the report. These are said to include Metal Box, Ronson Products, BAT, Fisons, Reliant and Bechem.

The research department is trade union sponsored and has 1,900 affiliated union bodies.

Chancellor criticised on health insurance

By Eric Sherr

PRIVATE PATIENTS Plan, the second largest medical insurance company in the UK, has attacked Sir Geoffrey Howe, Chancellor of the Exchequer, for not providing any tax incentives for medical insurance schemes arranged by employers.

The 1976 Finance Act provided that if a company arranges a private health insurance scheme for employees, then each individual member of that scheme is taxed as a benefit in kind on the premium paid by the company. If the employee pays part of the contribution, there is no tax relief as with company pension schemes.

The Conservative Manifesto last year stated that this type of medical insurance would be relieved of tax, but so far no action has been taken. The Conservative Government has also pledged to encourage the private medical sector.

But Mr. David Lock, managing director of PPP, expressed his disappointment at the continued lack of tax incentive for company medical insurance schemes, coming as it did immediately after the 35 per cent rise in National Health Service payed charges.

He pointed out that the Government was anxious to encourage people to do more for themselves and he hoped that it would find some way of introducing an incentive for people to be covered by private health insurance.

Nott refutes import controls scare stories

BY IVOR OWEN

SCARE STORIES that Britain faces imminent and total de-industrialisation are "simply not true," Mr. John Nott, the Trade Secretary, declared in Commons yesterday.

He emphasised that the Government has no plans for imposing further import controls on manufactured goods.

Mr. Nott complained of exaggerated talk about the de-industrialisation of Britain when agreeing with Mr. William Hamilton (Lab, Central Fife) that there was probably a majority of MPs who would refuse to accept the view that permanent and general import controls offered the most effective solution to Britain's trading problems.

But Mr. Hamilton argued that there was an increasingly strong case for further selective import controls as a temporary basis if only to prevent or at least retard the de-industrialisation process.

While acknowledging that Mr. Hamilton had urged temporary rather than permanent import controls, Mr. Nott pointed out that, if motor vehicles alone were excluded, the import export ratio had only declined by 1 per cent in 1978 and 1979.

Mr. Anthony Grant (C, Harrow Central), warned that temporary import controls could all too soon become permanent and develop into a slippery slope and a form of protectionism from which it



NOTT: Complained of exaggerated talk.

was hopeless to escape.

If this were to happen, he said, it would be disastrous for the British economy and do nothing for the interest of consumers or increase the efficiency of British industry.

Mr. Nott agreed that the countries against which temporary import controls were imposed would probably retaliate against British exports, whether the controls were temporary or permanent.

Britain, he stressed, was an exporting nation with nearly one-third of its gross domestic product in exports.

"It is the export penetration of overseas markets which we should be concentrating on," he insisted.

When Mr. Ian Evans (Lab, Aberdeen) referred to a BL advertisement highlighting the penetration of the British market by foreign companies, Mr. Nott underlined the fact that the motor car industry was still one of Britain's leading exporters.

Mr. Alan Clark (C, Plymouth Sutton), one of the few Government backbenchers who has consistently advocated import controls, claimed that the bulk of the questions put to the Minister, his detailed replies, and the earlier pronouncements on tariff cuts and non-made fibre, admitted the case for protectionism and its effectiveness.

In these circumstances was it right to assume that the Government's only objection to the wider application of import controls was fear of retaliation?

Mr. Nott denied that he had admitted the need for protectionism.

"What I do admit is the need for fair trade," he said.

Mr. Eric Heffer (Lab, Liverpool Walton), suggested that the Government should take a lesson from the Japanese who, while not operating strict import controls, so hedged round products going into their country that an effective system of import controls was in operation.

TUC opposition to Budget proposals

BY RICHARD EVANS, LOBBY EDITOR

VIGOROUS OPPOSITION to the Budget proposals because they would "push up prices and unemployment to alarming proportions" was expressed yesterday by the TUC-Labour Party liaison committee.

The committee confirmed that the Labour movement intends to intensify its campaign against the Government's economic strategy and in favour of Labour's economic alternative.

There was some pressure on Mr. Callaghan at the meeting to come out in favour of more widespread import controls.

On the Budget, the committee attacked in particular the increase in prescription charges, the failure to raise child benefits in line with prices, and the penalising of the families of those involved in industrial disputes.

The proposed enterprise zones would not get to grips with unemployment in the inner city areas at a time when the Government aimed to cut regional assistance still further in the rest of the UK. It was argued.

The committee felt that the abolition of the 25 per cent reduced rate income tax band, together with other Budget measures, had increased the tax burden.

Increased duties would push up the cost of living and the further public expenditure cuts would hit education, health and personal social services.

The proposed cutback in the real level of unemployment benefits would drive a wedge between those out of work and those lucky enough still to have a job.

Higher prices 'not part of EEC budget package'

BY IVOR OWEN

HIGHER PRICES for EEC wine, milk and sugar producers will form no part of any package deal designed to secure agreement on a reduction in Britain's contribution to the Community budget, Mr. Peter Walker, the Agriculture Minister, assured the Commons yesterday.

The possibility that earlier Government pledges—to press for a freeze on commodities in structural surplus in the current EEC farm price negotiations—might be abandoned by the Prime Minister when the Budget issue is next discussed at the EEC summit, was raised by Mr. Ron Leighton (Lab, Newham North East).

Mr. Walker told him: "The Prime Minister totally agrees with the view I am taking at Brussels at the present time."

In a statement on last week's Council of EEC Agriculture Ministers, he confirmed having taken a tough line in stating Britain's view that there should be no price increases for commodities in structural surplus.

He had also recorded Britain's demand for the continuance of the consumer butter subsidy, the need to retain the beef premium scheme until a better system could be agreed, and the need to provide the whisky industry with the export refunds to which it was entitled.

While welcoming the reaffirmation of the Government's determination to secure a price

freeze for commodities in structural surplus, Mr. Roy Mason, Labour spokesman on agriculture, attacked Mr. Walker's declaration to use the EEC's "green currency" system to protect its food exporters rather than its consumers.

Mr. Mason said this as another attempt to punish British consumers who had already been hit by four devaluations of the "green pound" which had benefited farmers to the extent of £340m.

There had been a 4 per cent rise in the food price index solely due to these devaluations.

Details Page 10

Company winners and losers, Page 22

Steel's 'breakaway appeal' to Labour

BY ELINOR GOODMAN, LOBBY STAFF

MR. DAVID STEEL, the Liberal leader, yesterday launched his party's most aggressive—and carefully tailored—bid for disillusioned Labour supporters with a challenge to Labour's Social Democrats to show the courage of their convictions by breaking out of what was now a "bankrupt party."

Specifically mentioning Shirley Williams and Bill Rodgers by name, he said that Social Democrats in the Labour Party were already nearing the end of their tether. This year's Labour Party conference would leave them with no honest option but to break away. The Liberal Party, he promised, would be prepared to work with

such a breakaway. Mr. Steel, whose recent talk of the Liberal Party forming the nucleus of some new grouping of the centre has alarmed some local Liberal parties, made it clear, however, that there was no question of the Liberal Party being subsumed into a new centre party "at least until after the next election."

He said he had told those Labour MPs who had asked him what help they could expect from the Liberal Party if they were thrown out by their local Labour Party that the Liberals would not be prepared to "act as a lifeboat."

Before the Liberals would be prepared to stand down their candidates, he implied, disenchanted Labour MPs would have to agree on some common policies.

The Liberals used the excuse of the 80th anniversary of the founding of the Labour Representation Committee to launch what they described yesterday as a "Liberal takeover bid" with a pamphlet entitled "Labour at 80."

Time to retire.

Throughout, the emphasis was on the way the Liberals had now taken over the mantle of true social democracy from Labour.

Labour, they claimed, was now incapable of putting forward relevant new ideas

It was now, he claimed, structurally impossible for the Labour Party to reform itself. The most Labour MPs had to look forward to was a "fudged" up compromise at this year's conference. This might be well enough for the "ambitious like Roy Hattersley or David Owen," but it should not be enough to satisfy those who honestly believe in social democracy.

What was desperately needed now, he argued, was a "movement of reform coalescing round a resurgent Liberal Party."

There was room in this movement, he stressed, both for "socially responsible Conservatives and radical socialists."

Steel's challenge to Labour's Social Democrats.



STEEL: Challenged Labour's Social Democrats.

United Newspapers hit by NGA stoppage

NEARLY 40 provincial newspapers in the United Newspapers Publications group were hit by a 24-hour stoppage by print craftsmen from midday yesterday as part of a national campaign of action over pay in the general print industry.

United Newspapers said all its seven evening papers were prevented from appearing yesterday and its six dailies would not appear this morning. The action would also affect its 30 weeklies although they were not expected to be prevented from publishing.

The action, in the form of mandatory chpsel (union

branch) meetings of members of the National Graphical Association, followed a similar pattern of disruption last week at newspapers owned by the Thomson Regional and the Northcliffe groups.

About 65,000 printers employed on provincial newspapers and general print companies are involved in the NGA's campaign of selective action in support of an £80 minimum earnings claim and a 37½ week by 1981.

Employers represented by the Newspaper Society and the British Printing Industries Federation have offered £75 and a shorter week by July 1982.

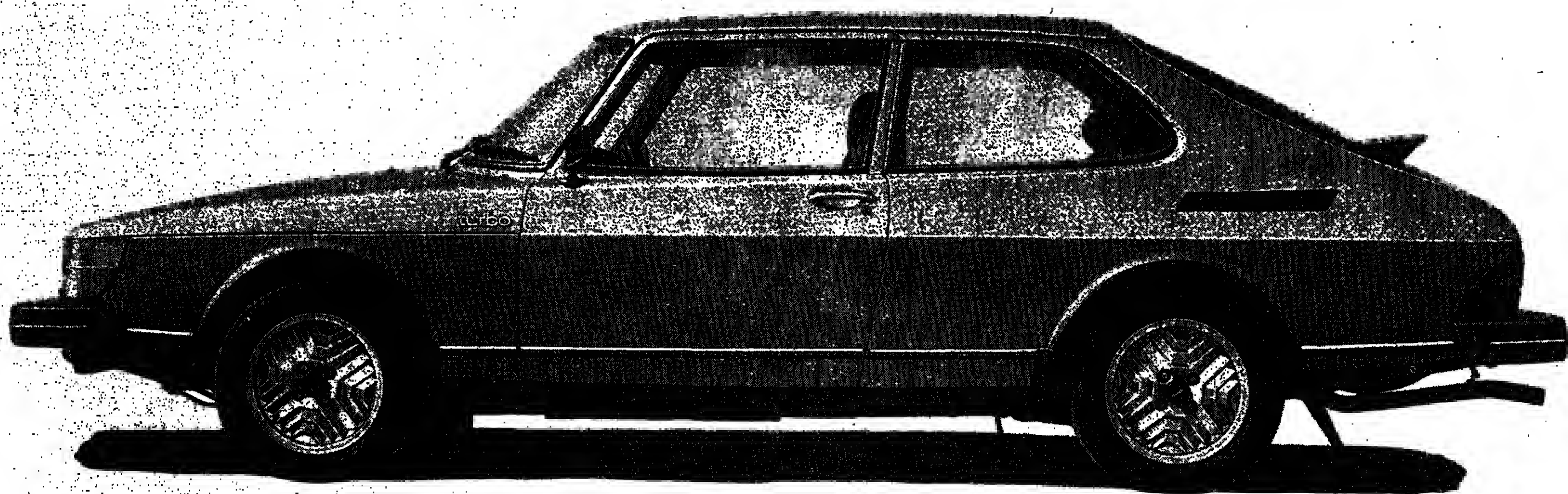
Liverpool port to stay closed

THE OFFICIAL dock strike over the handling of an export cargo of steel, which has closed the Port of Liverpool for 12 days, is to continue in spite of the likely settlement of the steel strike.

Talks were resumed yesterday between the Liverpool Port Employers' Association and the Transport and General Workers' Union, but were adjourned after 24 hours.

The employers said: "The meeting failed to resolve the outstanding point of difference." This is understood to centre on the handling of an export cargo of steel which sparked off the strike.

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| 6th | Renault 30TX |
| 7th | Jaguar XJ5.3 |
| 8th | Citroen CX Pallas |
| 9th | Audi Avant GL55 |
| 10th | Rover 2600 |
| 11th | SAAB 900 GLE |
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What Car? - APRIL '80

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First mandatory standard published for inflation accounting practice

THE UK and Irish accountancy bodies yesterday published the first mandatory accounting standard for the British Isles on "inflation" accounting.

The new standard, known as statement of standard accounting practice 16, or SSAP 16, applies to published accounts for periods beginning after January 1, 1980.

SSAP 16 applies to all listed companies and large unquoted companies, and is advisory as far as other business entities are concerned.

It prescribes the following as standard accounting practice:

1—This accounting standard applies to all annual financial statements intended to give a true and fair view of the financial position and profit or loss other than those of entities falling within the categories listed below:

(a) entities which do not have any class of share or loan capital listed on the Stock Exchange and satisfy at least two of the following three criteria: (i) they have a turnover of less than £5,000,000 per annum; (ii) their balance sheet total at the commencement of the relevant accounting period is less than £2,500,000 as shown in the historical cost accounts; and (iii) the average number of their employees in the UK (UK entities) or in the Republic of Ireland (Republic of Ireland entities) is less than 250;

(b) wholly-owned subsidiaries of companies or other entities where the parent is registered in the UK or Republic of Ireland;

(c) (i) authorised insurers, (ii) property investment and dealing entities, with the exception of such entities as hold the properties of another entity within the group to which this standard does apply; and (iii) investment trust companies, unit trusts and other similar long-term investment entities; and (d) entities whose long-term primary financial objective is other than to achieve an operating profit (before interest on borrowing); such entities may include charities, building societies, friendly societies, trade unions and pension funds.

2—Annual financial statements of entities coming within the scope of the standard should include, in addition to historical cost accounts or historical cost information, current cost accounts prepared in accordance with this standard. The current cost accounts should contain a profit and loss account and balance sheet, together with explanatory notes.

3—This requirement to include current cost accounts in addition to historical cost accounts or historical cost information can be complied with by:

(a) presenting historical cost accounts as the main accounts with supplementary current cost accounts prominently displayed; or

(b) presenting current cost accounts as the main accounts with supplementary historical cost accounts; or

(c) presenting current cost accounts as the only accounts accompanied by adequate historical cost information. The historical cost disclosure requirements will be clarified when the EEC Fourth Directive is enacted in UK/Irish law. Meanwhile, an entity preparing current cost accounts as its only accounts should provide at least

sufficient information to enable the user to ascertain the historical cost profit of the period under existing conventions. The current cost profit and loss account

4—The current cost operating profit is derived by making the following main adjustments to the historical cost trading profit (before interest on net borrowing) to allow for the impact of price changes on the funds needed to maintain the net operating assets:

(a) in relation to fixed assets, a depreciation adjustment being the difference between the proportion of their value to the business consumed in the period and the depreciation calculated on the historical cost basis;

(b) in relation to working capital: (i) a cost of sales adjustment being the difference between the value to the

companies—either at the applicable proportion of the associated companies' net assets stated under this standard or, where such information is not readily available, at directors' best estimate thereof. Allowance for premium or discount on acquisition should be made as stated under (e) below.

(c) Other investments (excluding those treated as current assets)—at directors' valuation. Where the investment is listed and the directors' valuation is materially different from mid-market value, the basis of valuation and the reasons for the difference should be stated.

(d) Intangible assets (excluding goodwill)—at the best estimate of their value to the business.

(e) Goodwill (premium or discount) arising on consolidation—on the basis set out in SSAP 14. Where goodwill is carried at

13—The current cost balance sheet (which may be in summarised form when a full historical cost balance sheet is disclosed) should show the assets and liabilities of the entity on the bases required by this standard. Notes to the balance sheet should disclose the totals of net operating assets, net borrowing and their main elements. The balance sheet should be supported by summaries of the fixed asset accounts and the movements on reserves.

Notes to the accounts

13—The notes attached to the current cost accounts should describe the bases and methods adopted in preparing the accounts particularly in relation to:

(a) the value to the business of fixed assets and the depreciation thereon;

(b) the value to the business of stock and work in progress and the cost of sales adjustment;

(c) the monetary working capital adjustment;

(d) the gearing adjustment;

(e) the basis of translating foreign currencies and dealing with translation differences arising;

(f) other material adjustments to the historical cost information; and

(g) the corresponding amounts. Earnings per share

14—Listed companies should show the current cost earnings per share based on the current cost profit attributable to equity shareholders before extraordinary items.

Group accounts

15—A company which is the parent company of a group and which is required to produce current cost group accounts should produce such group accounts in accordance with the principles set out in this standard. But it need not produce current cost accounts for itself as a single company where historical cost accounts are the main accounts.

Corresponding amounts

16—In all accounts prepared in accordance with this standard, corresponding amounts for the preceding period should be stated. But unless current cost accounts are the main accounts, corresponding amounts need only be included for the first period for which current cost accounts are prepared if they are readily available.

Relationship with other standards

17—Existing standards issued for use with historical cost accounts apply to current cost accounts except where a conflict arises from the conceptual difference between the systems. The four fundamental accounting concepts in SSAP 2 should be observed and information on accounting policies should be given. The source and application of funds statement required by SSAP 10 should be compatible with the main accounts.

Date from which effective

18. The accounting practices set out in this standard should be adopted as soon as possible. They should be regarded as standard for annual financial statements relating to accounting periods starting on or after January 1, 1980.

MICHAEL LAFFERTY reports on the new standard on inflation accounting, published yesterday by the UK and Irish accountancy bodies. It is known as SSAP (statement of standard accounting practice) 16.

business and the historical cost of stock consumed in the period; and (ii) an adjustment based on monetary working capital.

5—Where a proportion of the net operating assets is financed by net borrowing, a gearing adjustment is required in arriving at the current cost profit attributable to the shareholders. This should be calculated by:

(a) expressing net borrowing as a proportion of the net operating assets using average figures for the year from the current cost balance sheets; and

(b) multiplying the total of the charges or credits made to allow for the impact of the price changes on the net operating assets of the business by the proportion determined at (a).

This adjustment, normally a credit, could be a debit if prices fall.

6—No gearing adjustment should be made in the profit and loss accounts of Nationalised Industries in view of the special nature of their capital structure. Accordingly, in such cases interest on their net borrowing should be shown after taxation and extraordinary items.

7—The treatment within the current cost profit and loss account of gains and losses on asset disposals, extraordinary and exceptional items, prior year items, income from associates, group consolidation adjustments, minority interests and the translation of foreign currencies, should, where practicable, be consistent with the definitions of profit set out in this standard. Where this is impracticable, the treatment adopted should be disclosed in a note to the current cost accounts.

8—Assets and liabilities should be included in the balance sheet, as far as practicable, on the following basis:

(a) Land and buildings, plant and machinery and stocks subject to a cost of sales adjustment—at their value to the business;

(b) Investments in associated

an amount established before the introduction of SSAP 14, it should be reduced to the extent that it represents revaluation surpluses relating to assets held at the date of acquisition.

(f) Current assets, other than those subject to a cost of sales adjustment—on the historical cost basis.

(g) All liabilities—on the historical cost basis.

9—Reserves in the current cost balance sheet should include revaluation surpluses, deficits and adjustments made to allow for the impact of price changes in arriving at current cost profit attributable to shareholders. Amounts to reduce assets from net current replacement cost to recoverable amount should be charged to the profit and loss account.

Contents of accounts

Profit and loss account

10—The current cost profit and loss account should show (not necessarily in this order):

(a) the current cost operating profit or loss;

(b) interest/income relating to the net borrowing on which the gearing adjustment has been based;

(c) the gearing adjustment;

(d) taxation;

(e) extraordinary items; and

(f) current cost profit or loss (after tax) attributable to shareholders.

11—A reconciliation should be provided between the current cost operating profit and the profit or loss before charging interest and taxation calculated on the historical cost basis giving the respective amounts of the following:

(a) depreciation adjustment;

(b) cost of sales adjustment;

(c) monetary working capital adjustment and, where appropriate, interest relating to monetary working capital; and

(d) other material adjustments made to profits calculated on the historical cost basis when determining current cost operating profit.

The adjustments for cost of sales and monetary working capital may be combined.

Balance sheet

Pre-tax profits 'will fall by 35%'

THREE LEADING City stock-broking firms—W. Greenwell, Phillips and Drew, and de Zoete and Bevan—published circulars yesterday estimating the impact of the new CCA accounting system on quoted companies' reported results.

Greenwell estimates that, on average, 1979 pre-tax profits will fall by 35 per cent under the SSAP 16 method of accounting, as compared with traditional historic cost methods. This estimate is based on expected results from 185 major listed companies for which Greenwell analysts produce forecasts.

Phillips and Drew, basing its estimates on the effects of SSAP 16 on the profits of 150 major quoted companies, is broadly in line with Greenwell in forecasting a 36 per cent decrease in 1979 reported pre-tax profits.

"At the post-tax level, published profits are halved. However, the more meaningful comparison is between the historic cost fully-taxed profits and the CCA profits with no deferred tax. On this basis the reduction in post-tax profits under CCA is about 33 per cent."

Looking to 1980 results, Phillips and Drew expects the average reduction in pre-tax profits to be about 40 to 45 per cent. "CCA dividend cover will be down to about 1.1 times, implying that almost half the companies will be paying dividends which are not fully covered by CCA earnings."

Turning to the balance sheet and using 1978 figures P and D reckon that capital employed rises 35 per cent under SSAP 16, while shareholders' funds, and net asset values, rise by as much as 55 per cent. As a result, balance sheet gearing, which was at an historically low level at the end of 1978, falls from 21 to 15 per cent.

De Zoete and Bevan says that a current cost return on capital employed of between 8 and 10 per cent would appear to be an adequate aim for a company. The equivalent required net of

tax return on shareholders' equity would be about 6 per cent.

While these returns appear to be higher than those which appear to be earned based on government statistical sources, de Zoete believes that the official figures may be understating the true position.

The claim is backed up by a study of current cost profitability of 31 large manufacturing companies which have published adequate CCA information for years ending around December 1978.

The average CCA return of 7.2 per cent of capital employed is depressed by the inclusion of a few large companies such as Dunlop and GKN, which have a materially lower return. If other dominant companies such as ICI and Unilever were removed from the figures, the other 22 companies in the sample have an overall current cost return on capital employed of 10 per cent.

"In our view this is an entirely adequate level of profitability, and suggests that, before the onset of the current recession, there were a large number of major British companies which were earning a highly respectable rate of current cost profit on their assets," comments de Zoete.

De Zoete believes that over the next two years investors will turn increasingly to shares in companies with adequate current cost profitability, and that the price of shares with low or negative current cost profits will suffer relatively.

This will also continue appreciation of shares in the financial and service sectors by comparison with those in manufacturing; there will also be differential price movements within the manufacturing sector between the shares of companies which can achieve adequate current cost profitability and those which cannot."

THE list below shows Greenwell's estimates of the effects of applying SSAP 16 adjustments industry by industry.

SSAP 16% Pre-tax Change	Compared With Historic Cost
FTA SECTORS	Badly affected
Textiles	-76
Motors & Distributors	-64
Metals	-54
Chemicals	-51
Oil (BP only)	-48
Mech. Engineering	-40
Packaging & Paper	-36
Banks	-35
Pharmaceuticals	-29
Average	-27
Electricals	-27
Electronics, Radio, TV	-26
Food Manufacturing	-26
Building Materials	-23
Breweries	-22
Tobacco	-21
Food Retailing	-16
Little affected	
Stores	-12
Insurance Brokers	-11

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FINANCIAL TIMES SURVEY

Tuesday April 1 1980

Banking in West Germany

The mounting current account deficit and other unfamiliar—as well as unwelcome—elements in the West German economic scene have thrown the financial sector into some disarray. A reversal of the trend will demand considerable effort, in which the banks will have a key role to play.

Sudden shift in ground rules

By Jonathan Carr

THE GERMAN BANKS have been called leaders of the entrepreneurial spirit of the nation—and at least in the 1970s that seemed true. The great expansion of their business at home and abroad aided and reflected the image of West Germany as the economic leader of Europe and as the second biggest trading country in the world. Can the banks maintain this growth rate in the 1980s? More challengingly, should they even try, and if so on which sectors should their future expansion be based?

At first sight it may seem odd to raise these questions at all. The world has become used to the growth of the German banks just as it came to accept the rise

of the Deutsche Mark as a second reserve currency (albeit far behind the dollar and against the wishes of the German monetary authorities). Indeed the appreciation of the currency—increasing the relative size of the balance sheet totals of German banks compared to those of foreign competitors—was one factor which helped make evident internationally the rise of this new force in banking.

As the Federal Republic enters the 1980s, this coherent and happy picture has changed to one of disorientation. The German monetary authorities, who only recently were acting to stem inflows of foreign funds on grounds that these upset their money supply targets and increase inflation, have completely reversed their policies. The aim now is to encourage such inflows so as to try to maintain a stable Deutsche Mark as a bastion against imported inflation, caused in particular by the rising price of oil expressed in terms of a strong dollar. Meanwhile the Federal Government is borrowing funds from the oil producers to help plug its own budget deficit—and is partly bypassing the commercial banking apparatus in doing so.

The visible trade surplus is declining (as are the Bundesbank's reserves) and the current account deficit is increasing. This is not the picture of Germany which the world has come to know and (sometimes unwillingly) admire. Is it a temporary distortion of a pat-

tern or an absolute change? The answer is that neither the Germans nor the world can afford a Federal Republic which becomes a long-term net importer of goods and services together. But a reversal of the new trend will demand considerable effort, in which the banks will have a key role to play.

Looking back, it is clear that the German banking system has already been through one revolution—which moved space in the 1970s but did not start then. A glance at the statistics shows this clearly enough. At the end of the 1950s there were more than 13,000 banks with fewer than 30,000 offices countrywide. By the end of the 1960s there were fewer than 10,000 banks with nearly 40,000 offices. Today there are fewer than 6,000 banks with around 44,000 offices.

Levelling

Not only are there fewer banks, all extending their branch network to scoop up every last individual customer; there are fewer differences between the kind of business done by the different categories of bank—whether "big banks" like the Deutsche, Dresdner and Commerz, or regional or savings banks. That does not mean, of course, that there are no differences—but there has been a levelling process induced by the drive for the business of

the ordinary "German-in-the-street."

No doubt this process was inevitable. As personal wealth grew with Germany's economic upswing, the pressure for the banks to cast their net over (or perhaps one should say extend their services to) the new legions of small savers became overwhelming. It is impossible to imagine the economic take-off of Germany in the late 19th century or its rebuilding after World War II without the close relationship between the banks and their industrial customers. But likewise the development of the German consumer society of the last couple of decades would have been unthinkable without the new orientation of the banks towards "Massengeschäft"—banking services for everyone. It now seems the Germans may be consuming rather too much and producing rather too little—and that the banks will have to change their orientation again to take account of this.

Even without the new developments in Germany's international position, an examination of trends in German banking business over the last decade gives reason for pause.

On the face of it the figures are highly impressive, with the big banks increasing their business volume from DM 78bn in 1970 to DM 218bn in 1978, the savings banks from DM 179bn to DM 408bn and the credit co-operatives from DM 58bn to DM 184bn.

But a comparison with the profits generated by this explo-

sion of activity quickly reduces the euphoria. It would probably be a little unfair to compare the results of 1979 with those of 1970, since last year was clearly a poor one and in any case full details are not yet available. But in 1978 many banks produced some of the biggest profits in absolute terms in their history—eliciting some grumbling from customers about the size of bank charges and some wagging of fingers from the political Left. Yet for the big banks the operating result in 1978 expressed as a percentage of business volume totalled 0.54—barely up from the 0.53 achieved in 1970 and well down on the 0.86 of the banking "boom" year 1975.

In fact profitability on this basis of comparison has declined each year since 1975. The same goes for the regional banks (although their position in this respect is better than at the very start of the decade) and for the credit co-operatives. Of the major groups only the savings banks and the closely linked central Giro institutions both markedly improved their position against 1970 and broke the trend of decline since 1975.

For the big banks and the regional banks this same comment applies. Both have made Herculean efforts over the past decade to bold down administrative expenses—and have met with some success. But simultaneously the net interest and the net commissions both have received have declined as a percentage of business volume. It would clearly be

absurd to ring an alarm bell over this development—but it would be just as wrong to be misled by absolute growth figures alone.

The rapid business expansion has had its price, and the trend is not one which could be tolerated indefinitely. One sign that this has been recognised is the current efforts of the banks to persuade customers to pay something like an economic price for transactions into and out of their accounts—an operation almost as hard as persuading readers to pay an economic price for a newspaper.

Winners

The time is clearly ripe for a consolidation in *Messerschmitt*. It is also ripe for a new drive by the banks into an even closer relationship with all those branches of industry which are, or could be, export winners. That implies, among other things, support for high-technology sectors and the ability to spot the entrepreneur with the good new idea but without the capital to develop it. In essence, that is what the banks have tried to do, alongside their drive for the small saver.

But the national need for development of high-value, high-technology goods which will have the edge on the competition in world markets is greater than ever. It cannot be done without the banks—and it imposes on the banker as well as the industrialist greater demands than ever.

What conclusions flow from this? One is that the universal banking system for which Germany is renowned appears to offer the best basis for meeting this new challenge. It is perhaps ironic that for years a Government-sponsored committee examined the system—and in particular whether the banks had undue influence on industry—and in 1979 came up with proposals, albeit modest, for change.

An American banker would no doubt be shocked at a "universal" system under which one and the same bank can take not only deposits but grant credit, advise on shares and launch new issues, while helping steer the policies of companies to which it has lent funds and about which its customers seek investment advice. But it could well be that in the 1980s this range of services under one roof will be more essential to the German businessman and industrialist than ever before.

It is similarly ironic that the debate about controlling activities in the Euromarkets, where German banks play a leading role, intensified just as these markets became more important than ever. It is apparent that the commercial banks alone cannot deal with the increased problems involved in recycling the surplus funds of the OPEC countries. But it is also clear that the recycling problem cannot be solved without the banks. At the start of the 1980s much of the theoretical discussion even at the end of the

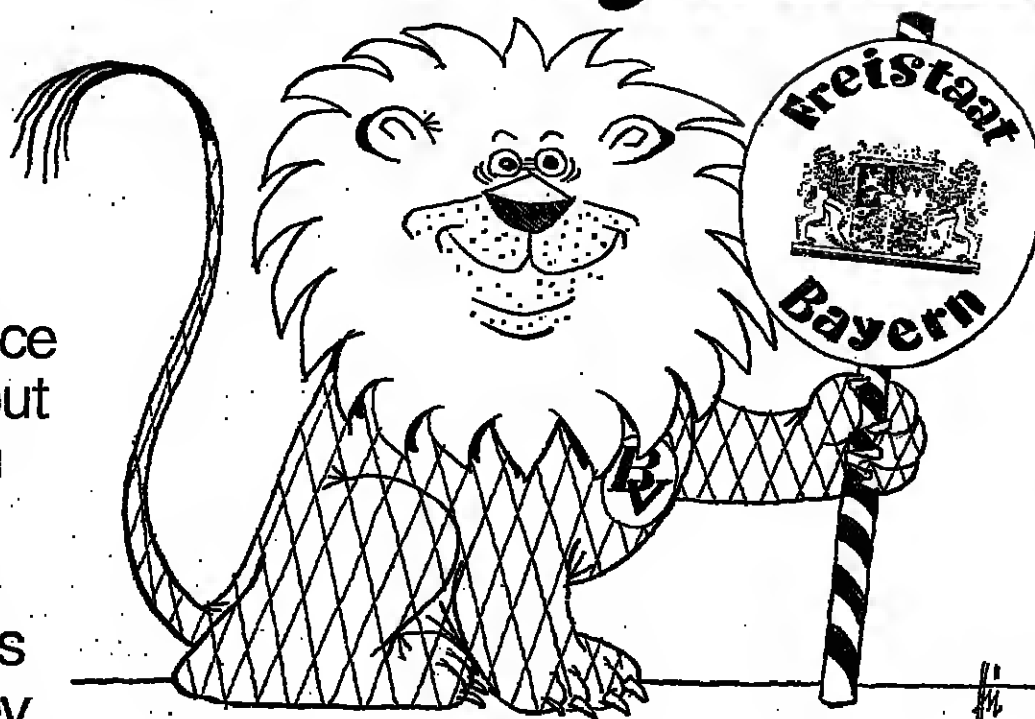
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1970s about banking structure and control begins to seem somewhat irrelevant.

How will the German bank at the end of the 1980s compare with its counterpart today? Almost exactly a decade ago the late Herr Juergen Ponto, head of the Dresdner Bank, said he foresaw the day when the internal distinction between domestic and international business would become obsolete. It would also become impossible for a banker to have an expert overview of all the banking activities in any single country, although he might well know one sector of international banking inside out. This trend to the "universal bank" of increasing specialisation is already there and seems bound to intensify in coming years. It is a fascinating prospect—but a daunting one for the manager who must sit at the top of the pyramid.

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Focus on Hessische Landesbank - Girozentrale -

"Half of Germany's top 10 banks are Frankfurt-based. We're one of them."

Let's start with Frankfurt.
Why is Frankfurt so important?

"Frankfurt ranks among the world's foremost banking and financial centers. 150 German banking institutions operate here, and Frankfurt has 174 international banks, more than any other city in Continental Europe.

The Bundesbank is headquartered here, and the Frankfurt Stock Exchange is Germany's largest, accounting for nearly half of the stock exchange transactions, 64 per cent of dealings in foreign shares and 80 per cent of the business in foreign fixed-interest securities.

Perhaps less well known internationally is that Hessische Landesbank is one of Frankfurt's big native-born banks. Half of Germany's top 10 banks are Frankfurt-based. We're one of them."

Now about the bank itself.
What's its size and structure?

"Hessische Landesbank is Germany's 9th largest bank, 3rd among Landesbanks. As a government-backed regional bank, our liabilities are guaranteed jointly by the State of Hesse and its Sparkassen and Giro Association. We also act as banker to the State of Hesse, from which our name is derived, and perform clearing functions for the 52 regional Sparkassen."



What about your service facilities?

"We concentrate on wholesale banking and medium to long-term fixed-rate DM lending. As a German universal bank, our facilities cover the full range of commercial and investment banking services. Because we don't operate a branch network, we can devote our time and energy to wholesale banking activities.

In recent years we have strengthened our participation in international issues. And we provide comprehensive investment management and brokerage services, including securities trading. Our membership of the Frankfurt Stock Exchange facilitates dealing in quoted shares and fixed-interest securities."

And sources of funds?

"A large part of our funding is done by issuing bearer bonds and SD Certificates (Schuldscheindarlehen). The total in circulation is about DM21 billion."

Who are the bank's main clients?

"As a wholesale bank, our service facilities are tailored for large, internationally active corporations, foreign governments, and other financial institutions, as well as subsidiaries of international companies operating in Germany. As bankers to the State of Hesse, we naturally support its state-wide and municipal programs. We also work closely with Hesse's Sparkassen and their clients, especially on the foreign side."

How do you see your position developing internationally?

"Frankly, a number of German banks offer similar high-quality services, and some of them have a head start on us in the international field. Without neglecting our home base in Frankfurt, we have assembled a team of banking professionals devoted to building a strong international track record based on pragmatic banking principles, the most modern technical and support facilities, and the highest standards of efficient service. Banking in Frankfurt is quite competitive, and the banks who try harder for their clients and give them fast, personal service often have the edge. This is one of our major objectives."

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BANKING IN WEST GERMANY II

Dense network around the country

WEST GERMANY has more than 5,000 banks with close to 40,000 branches—a remarkably dense network for a country with a population of less than 63m. Most of the business is in the hands of the 3,366 banks (end-1979) which report their monthly statistics to the Bundesbank—the central bank. Together these institutions have a business volume of more than DM 2,000bn and competition is intense not only between individual banks but between categories of bank.

The biggest single sector, accounting for about a quarter of total business, is the commercial banks—embracing the "Big Three" banks (Deutsche, Dresdner and Commerz), the regional banks, the branches of foreign banks in Germany and private banks. But anyone who imagines that the "Big Three" virtually dominate the German banking scene is a little astray.

The business volume of the three together, numbered in the accompanying table as six since they have three West Berlin subsidiaries) accounts for little more than a tenth of the overall total—though they are indeed powerful, offering under one roof that universal service as clearing bank, merchant bank and broker for which the German system is renowned and sometimes rebuked. But they face growing competition at home and abroad not least from regional institutions (like Bayerische Vereinsbank of Bavaria) which are rapidly outgrowing the provincial origins their titles imply.

GERMAN BANKS (position at end-1979)		
Banking Group	Number	Business volume (DM bn)
Commercial Banks -	256	537
of which:		
a) Big banks	6	228
b) Regional banks	100	238
c) Branches of foreign banks	56	38
d) Private banks	88	33
Central Giro Institutions	12	356
Savings Banks	603	477
Central Institutions of Credit Co-operatives	10	89
Credit Co-operatives	2,294	229
Mortgage Banks	39	285
Installment Sales Financing Institutions	126	25
Banks with Special Functions	17	187
Postal Giro and Postal Savings Offices	15	40
Total	3,366	2,176

Source: Deutsche Bundesbank

The two other categories of commercial banks have been going through precisely opposite developments. The number of branches of foreign banks has been increasing despite the many problems involved in penetrating the German banking scene. But the number of private banks has about halved over the last decade—with confidence particularly badly shaken by the Herstatt shock waves have receded—and many of the private banks which remain have shown a resilience which

augurs well for their future.

A major force for all these banks to reckon with is that of the savings banks (Sparkassen), with their huge network of more than 16,000 branches countrywide, and the 12 central Giro institutions (Girozentrale) in which they deposit much of their funds. The savings banks, mainly owned and run by local authorities, are legally bound to concentrate on support of the economy in their own region. But that does not stop them being a serious challenge to the commercial banks for the busi-

ness of the small saver or the medium-sized business enterprise.

The Girozentrale are not only central banks to the Sparkassen but as house banks for the government of the provincial States in which they are based. Increasingly they have spread their wings to compete in international business, too, led by the biggest of them, Westdeutsche Landesbank Girozentrale. Argument has long raged—and no doubt will long continue—over how far these institutions with a particular local responsibility should expand their presence on the international circuit.

There are even more credit co-operatives (Kreditgenossenschaften) than there are Sparkassen, also with their own central institutions and also competing for the small saver's money. The two kinds of co-operative are the people's banks (Volksbanken) and the Raiffeisen banks (named after the man who founded them). Both have their origins in the last century—the former to help urban workers develop financial solidarity, the latter doing much the same for those working on the land.

Of the remaining banking sectors, the mortgage banks (Hypothekenbanken) are the most important—39 of them with a business volume of DM 285bn, chiefly engaged in long-term lending against security or public guarantee.

Jonathan Carr

Commercial banks strong but not all-powerful

WEST GERMANY'S three major commercial banks—Deutsche Bank, Dresdner Bank and Commerzbank—are large organizations by any standard. On a world scale they were ranked fourth, ninth, and 20th respectively in The Banker magazine's 1979 listing of top banks around the world. Together they employ around 80,000 staff, have around 3,000 offices and deal with some 11m customers—apart from three banks.

They are of course the flagships of everything that is special about German banking. Most of all they are universal banks, providing investment and commercial banking services side by side with little apparent concern for Anglo-Saxon concerns about conflicts of interest.

They are managed by men of high calibre, their management board members certainly have a reputation which stands them in good stead in the international banking community, and foreign bankers in Germany say their branch managers are better educated and more competent than their counterparts in Britain or the U.S. This is probably part of the German tradition, but it may also have something to do with the demands and attractions of universal banking.

People at Deutsche, Dresdner and Commerz are undoubtedly banking in a vacuum. They speak of close ties with Government and industry, of what is good for Germany, and of their banks' part in the extraordinary economic miracle which has taken place in post-war Germany.

Despite their relative international strength the big three banks do not exactly dominate banking in West Germany in anything like the way that the UK banking market is controlled by the big four clearing banks. Deutsche Bank, the largest of the German banks, reckons it has no more than 8 per cent of the retail banking market, and only 4 per cent in terms of deposit-taking. The other two banks together would be doing little more than the same again.

As such the published accounts do not fully reflect the true size of the individual banks, nor can there be any certainty that reported earnings bear any exact and logical relationship to what has really happened during the year. Because the accounting rules which the banks have to comply with are outmoded and irrelevant to the needs of shareholders or other accounts users the banks seem to get themselves tied up in all sorts of half-meaningless book-keeping jargon.

The need for sensible accounting is nevertheless a live issue, one in which the banks seem to be giving more consideration. At last year's annual meeting of Deutsche Bank a shareholder questioning secret reserves was told by joint speaker Dr. Wilhelm Christians that "the balance sheet was always compiled in accordance with the letter and the spirit of the law and with prevailing opinion." The formation of undisclosed reserves was not a veiling tactic, he asserted, but "a necessary prerequisite in order to be able to continue sound management of the bank and also to safeguard for difficult years."

Speaking further on the matter a few weeks ago Dr. Christians was not adamant. However, secret reserves might be one of the most difficult things for the German banks to give up, he said. "We fight a permanent war against unexpected events."

Dr. Manfred Meier-Preschany, a management board member at Dresdner, accepts that the German banks' accounts lose much credibility because of their accounting practices. He would like to see Dresdner listed in London or New York. But with accounts such as it now publishes this would not be on—in New York anyway.

If German bankers, like many bankers elsewhere, are reluctant to disclose their true assets, and results they are not hesitant when it comes to talking about strategies, both national and international.

On the domestic front the preoccupation is with the familiar problems of rising costs, particularly on the staff side, and customer service. At the present time lending margins are very slim and industry is highly liquid. Securities and stock market-related business is also depressed.

There is much talk of automation, and a nationwide cash dispenser programme is on the cards in the near future. It is to be a co-operative effort among the banks to serve the needs of a population where every adult seems to have access and use of bank accounts and other banking services.

Coverage

Against this background it is hardly surprising that attention has been focusing more and more on international expansion. Here the big German banks still have a lot of ground to make up if they are to gain the same degree of coverage as their U.S. and UK competitors. Curiously, however, their attitudes to foreign markets are by no means uniformly expansionist.

Deutsche Bank, the largest of the three, and a leading partner in the EBIC European banking club, has now more or less reached the end of its current plans for international expansion, according to speaker Christians. As things stand, Deutsche Bank has European offices in London, Paris, Brussels, Antwerp, and a subsidiary in Luxembourg. Elsewhere, it has a wholesale branch in New York, and branches in Tokyo and South America. Atlantic Credit Corporation is the bank's investment banking arm and issuing house in New York.

Dr. Christians still sees a useful role for EBIC so far as Deutsche Bank is concerned. Like his colleagues at Midland Bank, he talks of having moved from a correspondent banking-based international strategy to a dual strategic approach, based on a combination of own initiatives and the old correspondent relationships. He agrees that this can lead to friction in some places like New York, where the new Deutsche Bank branch may have been causing some concern over at European-American Bank, the New York bank owned by the EBIC partners. "The market is big enough for both," he says.

Despite whatever innovations his board colleagues, Dr. Ekhart van Hoven—the leading personality of German and continental European retail banking—could introduce to retail banking outside Germany, Dr. Christians says Deutsche Bank is not interested in retail banking outside Germany. Dr. Christians nothing to do with serving our domestic customers." He declares—implying an objective for Deutsche Bank which is above and beyond mere profit. Asked whether the UK, the largest unbanked retail market in Europe, has not at least

attracted his attention, he simply states that the EBIC banks have agreed not to compete in retail banking in their domestic markets.

Dr. Manfred Meier-Preschany, board member responsible for international banking at Dresdner, paints a vastly different picture so far as his bank's international ambitions go. "We have to find our growth pattern abroad. Our network [branches in New York, Chicago, Los Angeles, London, Paris, Tokyo, Madrid, Hong Kong and Singapore] is not complete. We feel very positive about the U.S., Latin America and the emerging role of the Far East," he declares.

Yes, he recalls. Dresdner first went international with the objective of serving German industry. But that limited objective was abandoned five years ago. "We want to be represented in all the important international centres."

Does this mean that Dresdner is interested in buying a U.S. bank? Dr. Meier-Preschany is reluctant to answer the question but very much leaves the impression that he personally is that way inclined.

He is obviously a man of vision. At a recent London conference he spoke of the possible changes which may come about in international banks over the coming years. "Their multinational character could well step by step be replaced by a transnational one, with their shareholders, if not their majority ownership, spread among all countries in which they operate."

Asked to amplify on this, he prefers to talk in generalities: "If you are in Rome, you do as the Romans do." Speaking of foreign banks entering the U.S., Dr. Meier-Preschany said: "I wouldn't be at all surprised to see more foreign banks deciding to enter the retail banking arena and chase a bigger pack of middle-size corporate customers."

Commerzbank, the smallest of the three majors, seems to be taking a broadly similar stance to Deutsche Bank as far as international expansion is concerned. At present the bank has operating units in a dozen foreign centres, including New York and Chicago. Dr. Wolfgang Jahn, board member responsible for international affairs at the bank, says there are two or three more spots around the globe where Commerzbank could open branches. The possibility of a U.S. takeover was "a permanent question for discussion." However, the bank had no plans and tended towards a period of consolidation.

Dr. Jahn agrees that Latin America would be an attractive area for expansion. "But nationalism makes it impossible to buy a bank there," Commerzbank's London office, employing some 80 people, was a first-class operation, he said. It had become a turning-table for a number of international opportunities. "The latest stage of expansion has been getting contact with British companies. We have made some big loans."

Michael Lafferty

BANKING IN WEST GERMANY III

Landesbanks' forays abroad cause home unease

DO THE LANDESBANKS of West Germany have a peculiar talent for backing losers? The question may seem a little harsh — but consider the record of embarrassing mishaps over the past decade.

It was a period which saw the Hessian Landesbank lose DM 1.4bn on the property market and the Norddeutsche lose some DM 270m in its involvement with the Rollei camera concern which suffered badly from Japanese competition. The Westdeutsche Landesbank (WestLB) also lost DM 270m in the foreign exchanges in 1973 and the Badische was seriously hurt by the collapse in 1974 of the Herstatt Bank. When WestLB's troubled involvement with the Beto and Monierbau construction group and the unease surrounding the departure of Herr Ludwig Poullain as the bank's chairman is added to all this it is difficult to resist the conclusion that there is something amiss.

It is a formidable list, but in all fairness it is probably wrong to talk of the Landesbanks as being especially accident-prone. After all, they have only been active internationally — apart from export financing — for little over a decade and are correspondingly inexperienced. Moreover, if the Landesbanks' usually temperate property specialists did tend to throw caution to the wind during the property boom of the late 1960s and early 1970s, the same could be said of the commercial banks. Indeed the private commercial banks have also had their fair share of scandals and misjudgements.

GROWTH OF TOP SIX LANDESBANKS (Bal. sheet total DM bn)

	1972	1978
Westdeutsche	53.8	85.9
Bayerische	35.4	66.2
Hessische	34.9	45.0
Norddeutsche	24.7	38.9
Rheinland Pfalz	11.3	22.7
Württembergische	10.2	21.6

ments. Yet in many ways the Landesbanks are more vulnerable to criticism and bad publicity.

The root cause of this is the delicate relationship between the Landesbanks and both the politicians and the savings banks. Sometimes it is difficult to please one without upsetting the other. There is a feeling too that if in doubt a Landesbank should not stray too far from its natural functions.

These are simply defined. The Landesbanks collect and redeploy the surplus funds of the public authority-owned savings banks. They also act as the "house-banks" of the Länder Governments (provincial States) and some, such as WestLB, act as central clearing houses for the Giro. The banks are generally owned by the state and the savings banks, through the ownership of WestLB is a little more complex, being split between the State Government, the regional associations for the Rhineland and Westphalia and the two

savings banks of North Rhine Westphalia.

The Landesbanks have played an important part in the formation of Germany and contributed a lot to the infrastructure projects which paved the way for German unity — the establishment of the railway system is an example. After World War II they were particularly well-equipped to finance the re-establishment of the major industrial concerns and provide risk capital for smaller companies.

It was inevitable then that the larger Landesbanks would grow rapidly, in keeping pace with German industry and the increase in private savers. Now WestLB has a balance sheet total of DM 84.5bn (1978), putting it among the top three banks in West Germany. The second largest Landesbank, Bayerische, is some way behind this (the 1978 balance sheet total was DM 66.6bn) but still ranks as one of the leading German banks, as does the Hessische with a 1978 balance sheet total of DM 45bn.

It was therefore not surprising that the Landesbanks, endowed with so much financial muscle, decided to look for more overseas business — and that was when the real problems began to occur. In order to hang on to savers and prevent them defecting to the big commercial banks the Landesbanks felt that they should extend their functions. That meant not only lending, investing and advising but also undertaking more and more foreign business.

The pioneer was WestLB, partly because of the industrial needs of North Rhine Westphalia (the Ruhr is very export and import-orientated), but also because of the personal ambitions of Herr Poullain, then head of the bank. Building on its position in long-term lending and the international security business, it now takes on Euro-bond business and acts as a manager in international syndicated loans.

This set something of a precedent for the other Landesbanks which scrambled to establish subsidiaries in Luxembourg and have become steadily more confident internationally. Even small Landesbanks such as

the Württembergische (1978 balance sheet total DM 21.6bn) moved last year to establish a subsidiary in Luxembourg and a branch office in London.

The problem with the international expansion is that it has travelled too far too fast. As a result, severe strains were put on the relationship between the Landesbanks and the State Governments and, in a slightly different way, on the links between the Landesbanks and the savings banks.

The other dimension of the Landesbank dilemma is to ensure the continued health of its relationship with the savings banks. The latter — there are

over 600 with 16,000 branches altogether — provide a captive source of deposits for the Landesbanks, allowing them to entice clients away from the commercial banks with the offer of long-term fixed rate money. The savings bank system includes around 62m savings accounts and finances over half of all new housing in Germany.

But the savings banks — unlike the commercial banks — are not allowed to open branches throughout the country and the pressure has thus grown to expand abroad. Herr Friedel Neuber, president of the Rhineland Savings Bank Association, recently admitted

the savings banks' strong dependence of the Landesbanks for international transactions. "We need the international business of WestLB," he said in a recent interview, "to provide financing and representation for our savings bank customers."

At the same time, the Landesbanks cannot take on too many domestic or international credit risks for fear of shaking the trust of the dependent savings banks. Thus when the Hessische Landesbank's guarantors had to raise over DM 1bn to bail it out in 1976, the savings banks were seriously embarrassed. The State could squeeze funds from the Land budget but the

savings banks were unable to find their full share and had to turn to savings banks outside Hesse for assistance.

This kind of experience has spurred the savings banks into strong appeals for greater autonomy and some — such as the Hamburger Sparkasse — have expanded as rapidly as some Landesbanks. In a limited way the savings banks actually compete abroad with the Landesbanks. This competition however, is largely for ancillary services and hinges on the existence of corresponding banks in, say, London or New York.

Roger Boyes

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With a balance sheet total of more than DM 85 billion, it ranks among the top twenty banks in the world and is among the first three in Germany. WestLB is also a recognized market maker in fixed interest securities.

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Foreign banks find the going tough

THERE IS A widespread belief in the world of international banking that West Germany is one of the most difficult markets in the world to get established in. There is plenty of evidence to support that view. Foreign banks have managed to achieve only a tiny share of the German banking market so far, and there are no indications at present that they are on the verge of any major breakthrough.

Frustration with this state of affairs has led to numerous complaints from foreign banks of unfair and anti-competitive practices. These protests seemed to have built up steam in the past year. The British Bankers' Association, the largest international representative banking body in the world, is looking into the matter.

The views of foreign bankers on the ground in Germany are of course very specific. Without exception they point to special provisions of the market, which put them at a great disadvantage against the big domestic banks. At the same time, the vast majority of bankers do not think that much could be done to alter matters barring greater dedication to compete hard and professionally.

Central to the foreign banks' difficulties is Germany's unique universal banking system, with its which extraordinarily close links have developed between the big domestic banks and industry. These links range from large direct equity stakes and proxy voting rights to all-round banking services and supervisory board appointments. British and American notions of arm's length banking do not fit very easily into such an environment.

The large U.S. banks have been around longest in Germany, many having established branches there shortly after the war. The largest operations are probably run by Bank of America, Citibank, Chase Manhattan and Morgan Guaranty. The next largest group is the Japanese banks, with Bank of Tokyo apparently doing the most business. The familiar names of the London clearers, the big French and Canadian banks and others — like Standard Chartered, Algemene Bank Nederland and Anglo — is the desire of some

Banco do Brasil — are also represented. Now and again a name like Toronto-Dominion or Canada disappears from the list of foreign branches.

With a few exceptions, the main foreign bank operations in Germany are of a wholesale and trade-related nature. Typically, they have started out servicing the German subsidiaries of domestic multinationals. On top of this, some, like the large U.S. banks, have developed a sizeable German corporate customer base. Morgan Guaranty has been in Germany for 15 years and now earns 75 per cent of its income in Germany from German companies. Typically these are the big German multinationals, which look to the U.S. banks for a complete international service.

Lloyds Bank of London is typical of the non-U.S. foreign banks in Germany. It is a relatively recent arrival. Today it has three branches — in Frankfurt, Düsseldorf and Hamburg — and runs to 55 staff, of whom 15 are executives. Lloyds came first of all to look after its existing clients. Now it seeks customers in three separate areas: subsidiaries of multinational companies, major German companies with overseas representation and large non-multinational German companies in need of export finance.

In the eyes of the top German bankers the foreign banks do not seem to pose much of a threat. They credit their most achievement, but they are quick to recall that some of those same American banks were not willing when the chips were down, to participate in the AEG-Telefunken rescue. In marked contrast, they say, some French banks did join the scheme.

The foreign bank which does manage to make a loan to a German company may find itself asked to take the money back temporarily at the time of the year-end accounts, to avoid any problems between the finance director and bankers on the supervisory boards, according to one experienced foreign banker. He adds that one encouraging feature of this tri-

German finance directors to achieve a degree of independence from their domestic "universal" bankers.

For many of the foreign banks in Germany such invitations never arise. They simply cannot get near German companies for a start. With several thousand banks in the country it could be expected that German financial directors are less than enthusiastic when it comes to seeing new bankers. Refusals to see foreign bankers are by no means uncommon, and some financial executives have been known to put a bar on any bank meetings for months. In one case a major U.S. bank is reported to have been told to come back in six months' time. "You must have a reason for calling, and a tough neck," commented one British banker.

Part of the problem which all foreign banks face in Germany is that of finding suitable staff. Some banks make the mistake of trying to use foreign executives with little local knowledge and an inability to speak the language. But experienced operators like Chase Manhattan seek out good German staff. Out of a total of 335 Chase staff in Germany only five, it is said, are American. Morgan Guaranty, on the other hand, seems to have particular attractions for British secretarial staff.

Foreign bank operations in Germany are not confined to wholesale banking. Both Citibank and Bank of America run retail banks. In Citibank's case this is KKB, a well-established consumer bank with branches nationwide and based in Düsseldorf. B of A runs Bankhaus Centrale Credit, again a Düsseldorf business with 30 branches which was once a finance house.

Mr. William Young, senior vice-president and area general manager at Bank of America for central Europe, reports that retail banking in Germany is extremely competitive. "The German banks protect relationships very well. They believe in maintaining market share."

Michael Lafferty



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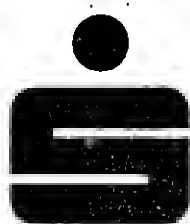
Scope. The facilities and services of Germany's Sparkassen permeate the entire economy, from the largest cities to the smallest rural areas. This pervasive coverage provides in-depth local expertise and invaluable client contacts at all levels of business and finance. In addition to their broad wholesale banking capabilities, the Landesbanken act as central banks for the Sparkassen in their region, and function as their clearing houses on a national level. In addition to their decisive role in this vast integrated domestic network, the Landesbanken add key international capabilities

through their own offices, participations, and correspondent links in the world's major financial centers.

Solidity. All members of the German Savings Banks Organization are public-sector financial institutions. The liabilities of the Sparkassen are covered by the cities and municipalities where they operate. In turn, the liabilities of the Landesbanken are covered by their state authorities and by the Sparkassen.

Service. Unlike savings banks in many other countries, Sparkassen in Germany operate as local universal banks, providing both commercial and investment banking services. As an integral part of Germany's traditionally export-oriented economy, many Sparkassen transact considerable foreign business. Their facilities typically include letters of credit, documentary business, payments and collections, and guarantees. For larger scale foreign financing, the Sparkassen often work in tandem with the Landesbanken. Landesbanken in Germany are also universal banks speciali-

zing in wholesale banking services ranging from commercial and public-sector lending, project finance, and foreign trade finance to portfolio management, security dealing, and international finance—often arranging or participating in syndicated Euroloans and Eurobond issues. For refinancing purposes, the Landesbanken are authorized to issue their own bearer bonds. For more information on Germany's largest banking sector, just write to:



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BANKING IN WEST GERMANY IV

Unfamiliar role for the Bundesbank

FOR THE first time since the mid-1960s West Germany is having to learn to live by a new set of financial rules. Last year the country ran up its first balance of payments current account deficit since 1965—a deficit moreover which ominously shows no signs of being merely a passing phenomenon. Indeed last year's deficit of DM 9bn is expected to more than double this year to DM 20bn. This sudden plunge into deficit coming at the same time as interest rates around the world are climbing to new heights and the Deutsche Mark is put under unaccustomed pressure on the foreign exchange markets has exposed the West German financial authorities to a set of problems which even a few months ago would have appeared unlikely, if not impossible.

The Bundesbank, Germany's central bank, has had to put several key policies into reverse as it sees its major priority of safeguarding the stability of the currency and of the West German economy under greater threat than perhaps at any time in recent history. The problems appear dramatic for the very reason that they are so unfamiliar.

For years Bundesbank policy has been formed around the core of a hard and appreciating currency, a currency which it did not wish to see developing a major reserve role. Right up until he retired from the presidency of the Bundesbank at the end of last year, Dr. Otto von Guericke, the previous guardian of the currency, was still able to state that the Bundesbank would not "willingly" allow the D-mark to acquire a decisive reserve role. The trend was perhaps inevitable but it would not be encouraged.

Much has changed in the last three months, however, and together with the hand-over of the Bundesbank presidency from Dr. Guericke to Herr Karl Otto Poehl has come a series of U-turns in official policy. In contrast to the traditional policy of trying to prevent the evolution of the D-mark into an international reserve currency, the Government, with the blessing of the Bundesbank, has suddenly started to encourage capital imports. This change of view is being manifested in a variety of ways.

First, the Bundesbank raised its key interest rates at the end of February, a move which it said was taken primarily against the background of international financial developments rather than changes in the domestic economy. Secondly, it moved two weeks later to relax the restrictions on capital imports by halving the maturity limits on Federal securities and *Schuldenscheine* (DM-denominated promissory notes) owned by non-residents.

In addition the Government has taken steps to borrow abroad. It is acting not only indirectly through the commercial banking system to place Government notes abroad but also arranging a direct loan from Saudi Arabia which will circumvent the banks. The spectacle of the West Germans borrowing abroad is in itself unusual, but the direct approach by Bonn to an oil-producing State breaks new ground.

For as long as most people can remember Germany's main economic problems have been connected with the success of the economy. It has faced constant upward pressure on the D-mark and speculative flows of capital into Frankfurt as a result of low inflation, high productivity and continuous trade surpluses.

A recent report by the Bundesbank showed, however, how

the improvements in productivity have been slowing down—to around a rate of 3 per cent in 1974-79. Inflationary pressures are building up strongly too—at least in the West German context. After increasing by 2.7 per cent in 1978 and at an average of 4.1 per cent last year inflation has now jumped to an annual rate of 5.6 per cent according to the latest figures. It is a rate that would be envied in most countries, but in West Germany it is regarded by the country's ultra-cautious money managers with some alarm.

Reversal

The most fundamental reason for the changed circumstances and the sudden focus of attention on the central bank's reversal of policy is to be found, however, in the mounting balance of payments deficit. This in itself is rooted not in the sudden inability of West German exporters to hold their impressive share of world markets but in the dramatic series of oil price increases implemented over the last 15 months by the oil-exporting countries.

West Germany's oil bill is expected to increase by a further DM 15bn this year to some DM 60bn according to the Bundesbank's latest estimates. After the 1973-74 oil price increases the West Germans managed with surprising ease to finance the much larger oil bill by sharply increasing exports. This time, however, the problem is not likely to be solved so easily. Admittedly Herr Poehl has started to emphasise that exports are still the Federal Republic's life-blood and that it is to higher exports that the country must look if it is to balance its current account. But the climate of international trade is rather different today.

The success of such interventions by the central bank must still be in doubt, as the DM-dollar exchange rate has been driven along to the dollar's advantage for much of the year by the very high level of U.S. interest rates and by the expectation that the upward spiral has still not reached its top. On January 3 the dollar reached a historical low against the D-mark of DM 1.7062; since then the movement has been all in one direction. By late March, in the space of only a few weeks, the dollar had climbed back to a level of around DM 1.87.

Since the beginning of the year (to March 13) the D-mark has shown a loss in value against the dollar of about 4.5 per cent. The decline against other major trading currencies has been less but significant, particularly when corresponding inflation

rates in the other countries—often at least double that of the Federal Republic—are taken into account.

His term as president of the Bundesbank has come in turbulent times but Herr Poehl has lost no opportunity in recent weeks to reiterate his determination to hold the central bank's policy of keeping a tight hold on the money supply and of encouraging both sides of industry to make responses in the current wage round that will foster rather than disrupt economic stability.

In the event the wage round appears to be coming out with increases of 8 per cent or more, including fringe benefits and sums accruing from the previous year's negotiations. This is rather higher than the central bank had hoped for but is perhaps not far from what it had expected.

For his international audience Herr Poehl has made it clear that it is his intention that the D-mark will also in the future be regarded as a "hard" currency. The central bank's interest rates policy, he says, must have the result that the currency maintains its attractions in the eyes of foreign investors.

The Bundesbank has clearly performed its role to great effect while West Germany has enjoyed the status derived from regularly accruing current account surpluses. It has had to deal largely with the problems of success. A current account that remains stubbornly in deficit will present it with an entirely unfamiliar set of problems, however, and it is against this background that Herr Poehl's success in maintaining the value of the D-mark will ultimately be judged.

Kevin Done

Industrial links investigated

WEST GERMAN banks have for over a century enjoyed a sometimes troubled but often profitable marriage of convenience with the country's industrial concerns. Since the 1870s Germany has frequently had to rebuild its economy—and each time it has been the banks that have provided the credit and necessary risk capital. As the country's economic structure grew more complex and sophisticated, so the banking system adapted, taking over a vast collection of separate functions.

The German universal banking system is thus a curious leviathan, a creature formed out of the changing needs of industry, of the ordinary German's traditional reluctance to invest on equities and the banks' keen eye for profitable innovation. The banks have become all things to all customers from those who com-

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dustrial shareholdings. A maximum holding was to be recommended. That Senior bankers often held an excessive number of seats on supervisory boards in German industry. It has been known for German bankers to hold down more than 20 of these.

● That the banks often use the "Depotstimmrecht" to their own advantage. This is the proxy vote granted to banks on behalf of shares deposited with them by clients.

● That banks use the loophole of foreign subsidiaries to grant credit well beyond the legal limit for parent banks.

Before the commission produced its findings, the Monopolies Commission—a Government advisory body—sprang in with a somewhat hawkey assessment of the relationship between banks and industry. Competition, it said, was being eroded because big banks had a natural advantage over non-banks in acquiring new (and bargain price) companies. The banks, it found, have a stake in over 30 of the top (ie largest) 100 companies, with most of the holdings in the range from 25 to 30 per cent. The commission has

CONTINUED ON NEXT PAGE

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	31.12.1978	31.12.1979
Business Volume	DM 2.356 Mio	DM 2.447 Mio
— Incl. Guarantees —		
Total Assets	DM 1.977 Mio	DM 2.055 Mio
Deposits	DM 1.442 Mio	DM 1.499 Mio
Acceptances	DM 271 Mio	DM 302 Mio
Bills and Advances	DM 1.271 Mio	DM 1.319 Mio
Capital	DM 90 Mio	DM 95 Mio

The Partners

SCHRODER, MUNCHMEYER, HENGST INTERNATIONAL S.A.

Luxembourg

	31.12.1978	31.12.1979
Total Assets	DM 248 Mio	DM 366 Mio
Loans to Customers	DM 92 Mio	DM 165 Mio
Deposits	DM 232 Mio	DM 349 Mio
Capital and Reserves	DM 16 Mio	DM 17 Mio

The Board of Directors

هنگست منشر

BANKING IN WEST GERMANY V

Stock markets lose ground steadily

THE WEST GERMAN equity market started the new decade in a weakened state, and indeed towards the end of January share prices reached their lowest since March 1977. The Frankfurt Allgemeine Zeitung Index stood at 218.11, compared with 227.27 at the end of 1979.

Helped by large institutional buying a much firmer tone was set in February — against the background of a weakening bond market — but the recovery proved to be short-lived, and the index is again down to a level well below the starting point for the year and is threatening to plumb new depths.

During the rally the best performers were to be found in the raw materials and capital goods sectors. Searching for hopeful pointers the market's eye fell on the Government's ambitious plans for plants aimed at producing oil and substitute natural gas from coal. It did not appear to matter that the plans were unlikely to be transformed into orders of any appreciable volume until the mid-1980s.

The announcement caused a sharp rise in the share prices of companies that already have a stake in the technology needed for coal liquefaction and gasification. The beneficiaries included most of the leading mechanical engineering and process plant builders, such as Deutsche Babcock, Linde, Hoescht, KHD and Gutehoffnungshütte.

At the same time German companies with oil, gas or other raw materials interests have also aroused surges of interest. This year, one of the most notable being Preussag. As a result of its extensive activities in coal, oil and metals its price briefly reached the level of DM 218. This performance coincided with the announcement of the company's return to profitability last year and the resumption of dividend payments after a number of lean years. Gas finds by Wintershall, a subsidiary of the chemicals giant BASF, have also boosted interest in this as a speculative asset, and Veba, Germany's largest industrial enterprise, has also performed ahead of the market as a result of its wide-

spread energy interests.

By the beginning of March, however, the market was again on its way down, led by the sectors which had shown the weakest signs of recovery in previous weeks, such as stores and banks. Consumer stocks are expected to have a particularly difficult time because of fears that they will be especially affected by the real reduction in buying power that is resulting from the rapid increase in energy prices. The national oil import bill is likely to rise to some DM 60bn this year, a rise of some 32 per cent, to a point at which it will equal some 4.5 per cent West Germany's Gross National Product.

The pattern of the development of the stock market in the first months of 1980 has mirrored quite closely the general downward path of 1979. Market indices have stood in sharp contrast to several other major economic indicators in West Germany, where 1979 was a year of successful general economic growth during which the Gross Domestic Product rose by 4.4 per cent in real terms — following a rise of 3.5 per cent in 1978 — and the rise in inflation was kept down to an annual average of 4.1 per cent compared with the 2.7 per cent rise shown in the previous year.

The indices lost ground steadily during 1979, with the occasional brief spurts of recovery only serving to emphasise the general decline. The Frankfurt index began the year at 206.0 after openings the previous January at 108.4. By late March this year it had slipped further to around 218.0.

The Commerzbank index, the highest in Germany, showed a fall over 1979 of 12.42 per cent. Opening the year at 117.20 it closed at 115.70. The FAZ index had a loss of 11.57 per cent over the 12 months.

The only sector to show any real improvement during the last 12 months was insurance company stocks, which recorded a gain of 3.2 per cent. The Frankfurt exchange, the leading market, also showed slight gains for the raw materials and energy supply industry with a rise of 0.75 per cent, but elsewhere there were only various shades of gloom.

The chemical majors put up a relatively good showing, with

an index decline of only 2.84 per cent, but there was little relief elsewhere, with falls ranging from 9.15 per cent in machinery building, 10.51 per cent in the electricals sector and 13.34 per cent in the building industry to a 22.97 per cent loss in motor industry stocks, a 23.19 per cent fall in stores, a 26.86 per cent in textiles, and a decline of 26.73 per cent in iron and steel industry shares.

Total transactions in shares and fixed interest securities of the Frankfurt exchange reflected the sharp fall in the index and showed an even more dramatic fall of some 21.6 per cent to DM 87.1bn in 1979. This was the first decline in the volume of dealings since 1976.

The structure of the stock markets in Germany mirrors the federal political structure, with no single exchange having the pre-eminence of New York in the U.S. London in the UK or Tokyo in Japan. The Frankfurt exchange, however, has emerged as at least the strongest contender, particularly as a result of its growing international links. As the city has emerged as the single most important financial centre of the Federal Republic so has its stock market benefited, taking on a special importance ahead of other regional exchanges such as Düsseldorf, Munich or Hamburg.

Hardest

Last year Frankfurt accounted for 46 per cent of the total volume of dealings on German exchanges. It clearly faces its hardest fight against the other German regional markets in the turnover of domestic shares, where its share of the total German volume amounted to 38 per cent, and in domestic bonds sales, where its share last year was 41 per cent. In the sale of foreign shares, however, it is pre-eminent, taking 67 per cent of the total business last year, while it claimed 80 per cent of the volume of fixed interest securities issued from foreign sources.

Until 1977 fixed interest bonds were accounting for a growing share of the total volume of trading done on the Frankfurt exchange, but in the past couple of years this process

has been halted. Last year shares took 39.3 per cent of total business compared with 33.9 per cent in 1977. Of the shares turnover of DM 12.5bn, German securities accounted for DM 9.7bn, 30.5 per cent of total market turnover, while foreign shares built up a turnover of DM 2.8bn, some 8.8 per cent of the total market. The importance of foreign securities to the Frankfurt market can also be measured by the number of companies quoted on the Federal Republic's leading exchange. The number of quoted domestic companies has been declining steadily over the past 10 years and the number of new entrants to the market is in most years more than outweighed by those leaving the arena. By the end of 1979 only 227 German companies were quoted in Frankfurt as against 263 10 years earlier.

Foreign names have been seeking quotations in Frankfurt with increasing regularity, however, and by the end of 1979 the total of foreign quoted companies had risen to 179, compared to only 42 in 1968. As a result Frankfurt could boast 408 company quotations by the end of last year, a marginal addition of eight over the position a year earlier.

The number of companies quoted in Germany is yet another reflection, however, of the rather diminutive stature of the Federal Republic's stock markets compared with operations in other countries such as the U.S. or UK. At the end of 1979 only some 458 of Germany's industrial corporations were quoted on the country's exchanges, out of a total of more than 2,000. By international comparison West Germany thus comes far down the list. In the UK in 1978 there were a total of 2,796 companies quoted on the country's stock exchanges, in France some 1,100, in Japan 1,709, while in the U.S. New York alone could boast 1,581.

Kevin Done

Industrial

CONTINUED FROM PREVIOUS PAGE

recommended a 5 per cent maximum stake.

The commission reported to the Finance Ministry last year and came to rather different conclusions. Banks admittedly had large stakes in industry, but this was not necessarily a bad thing. Moreover, the universal banking system, though it bred occasional conflicts of interest, was essentially a benign animal, well suited to the needs of German industry.

The majority of the commission found that banks' holding of equity should not be more than 25 per cent plus one share, though a strong minority proposed a limit of 10 per cent. The 25 per cent plus one share formula is because this is the legal minimum required to block a change in the status of a German company. The 25 per cent formula does not include a further recommendation that banks should also be allowed to hold transient assets of up to 5 per cent of any company. The minority proposal of 10 per cent, however, would have included this 5 per cent. Count Otto Lambsdorff, the Economics Minister, has placed himself somewhere

in between, letting it be known that he favours a 15 per cent limit on industrial holdings.

The commission recommended that banks should disclose how many votes they are exercising as owners and how many on behalf of depositors. Greater candour seemed to be called for, if only to give companies an idea of whose votes are actually being cast. It found that the banks' share of supervisory board seats was not excessive. While such seats did indeed give the banks influence, there was no evidence that such power was being abused.

The commission proposed that banks should produce consolidated balance sheets that included their subsidiaries abroad. The statutory credit assets could thus be tested by examining the separate balance sheets of the parent company and the subsidiary as well as the consolidated account.

The Government is unlikely to act on any of the industry-related proposals before the general elections in October. Quite apart from any other consideration, the question of divesting the banks' industrial

assets promises to be an exceptionally sensitive issue.

Underpinning the Gessler proposals is a fundamental belief that banks will honour their social responsibilities. Indeed perhaps the best of defence against the criticism of the banks has been provided over the past few months by the actions of banks themselves as they have repeatedly helped to protect ailing industries.

Thus Klockner, Germany's third largest steel group, which has been making heavy losses throughout the steel crisis, decided recently on a major capital reorganisation — a move which would have been impossible without the close collaboration of the banks at almost every stage. Senior Klockner executives are understood to have approached Dr. Alfred Herrhausen, of the Deutsche Bank managing board — and also deputy chairman of Klockner's supervisory board — who approved the idea of a capital write-down followed by a restocking with fresh capital. A consortium of 13 banks was formed which then raised half of the new capital required and simultaneously undertook

to pass on the holding to individual shareholders when Klockner starts to pay a dividend again, probably in 1981.

According to preliminary Bundesbank figures the banks had on loan to the steel construction and mechanical engineering sector over DM 30bn at end-1979 (compared to DM 27.7bn at end-1978) and a further DM 18.3bn to the base metal production and foundries sector.

Similarly West German banks put up nearly DM 1bn in new capital to rescue AEG-Telefunken, the electrical concern. Total bank lending to the electrical engineering sector reached DM 25bn at end-1979. If one also takes into consideration the banks' role in supporting the shipping industry — big banks and the smaller coastal Landesbanks are involved in current attempts to rescue the Bremen-based DDG Hanau shipping line — it can be seen that banks are continuing to play a central part in maintaining employment levels and generally keeping alive faltering industries.

Roger Boyes

Deutsch-Skandinavische Bank AG

Highlights 1979

in DM million	1978	1979	Increase
Business volume	1,378	1,630	+ 18%
Total assets	1,355	1,522	+ 12%
Credit volume	766	953	+ 24%
Deposits	1,289	1,451	+ 13%
Shareholders' equity	62	62	

Major factors contributing to these results were:

- expansion in medium and long-term loans to German and Scandinavian clients
- increased market share in new issues
- strong growth of guaranties, particularly of export-guaranties
- extended foreign exchange activities

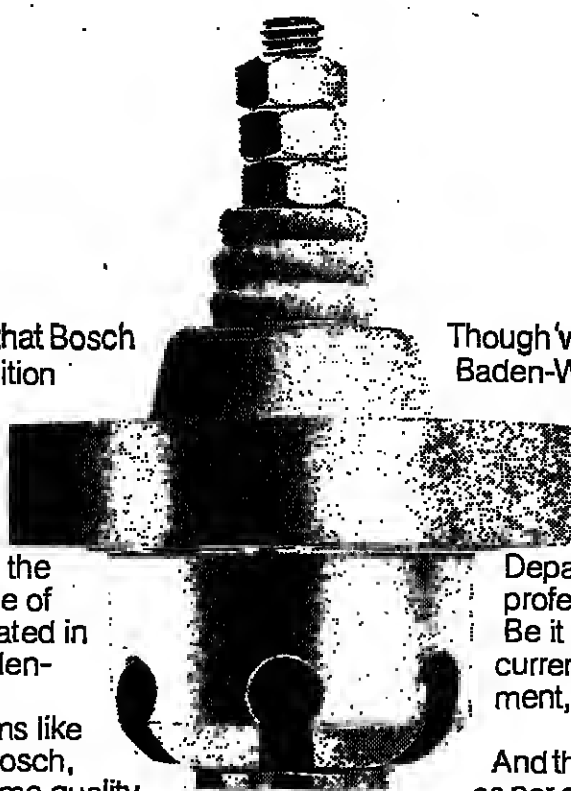
Our Annual Report is available upon request.

Deutsch-Skandinavische Bank AG

Alte Rothofstrasse 8-6000 Frankfurt am Main Telephone: 0611-20471 Telex: 4-13 413 desk d
In Luxembourg as from April 1, 1980: Deutsch-Skandinavische Bank (Luxembourg) S.A.

محكمة العدل

In 1902 things went off with a bang.



In Stuttgart. For it was here that Bosch developed a high-tension ignition system. It became possible to build high-revving engines with many cylinders both at the Daimler factory in Stuttgart and at the Ford plant in Detroit. And anywhere else in the world. This is just one example of the many "firsts" which originated in the capital of the State of Baden-Wuerttemberg.

Stuttgart is the home of firms like Daimler-Benz, Porsche and Bosch, names which stand for supreme quality and epoch-making developments.

Stuttgart is also the home of such important giants as IBM, SEL-ITT and Kodak. And of 430 small and medium-sized companies which are all well known in their sectors of industry and commerce. So one would also expect Stuttgart to be the home of the largest regional bank and savings bank in south-west Germany: the LANDESGIROKASSE.

With more than DM 12.5 billion in total assets and a network of over 250 branches throughout the area of Wuerttemberg we play a major role; also in the international banking sector.

Though we are backed by the State of Baden-Wuerttemberg and the City of Stuttgart which are 50% owners each, we are legally independent. To serve our highly import-export oriented clientele, our International Department has acquired professional skills over decades. Be it FX, Export Financing, Euro-currency Financing, Cash Management, Loan Syndications.

And these are our financial highlights as per end of December 1979:

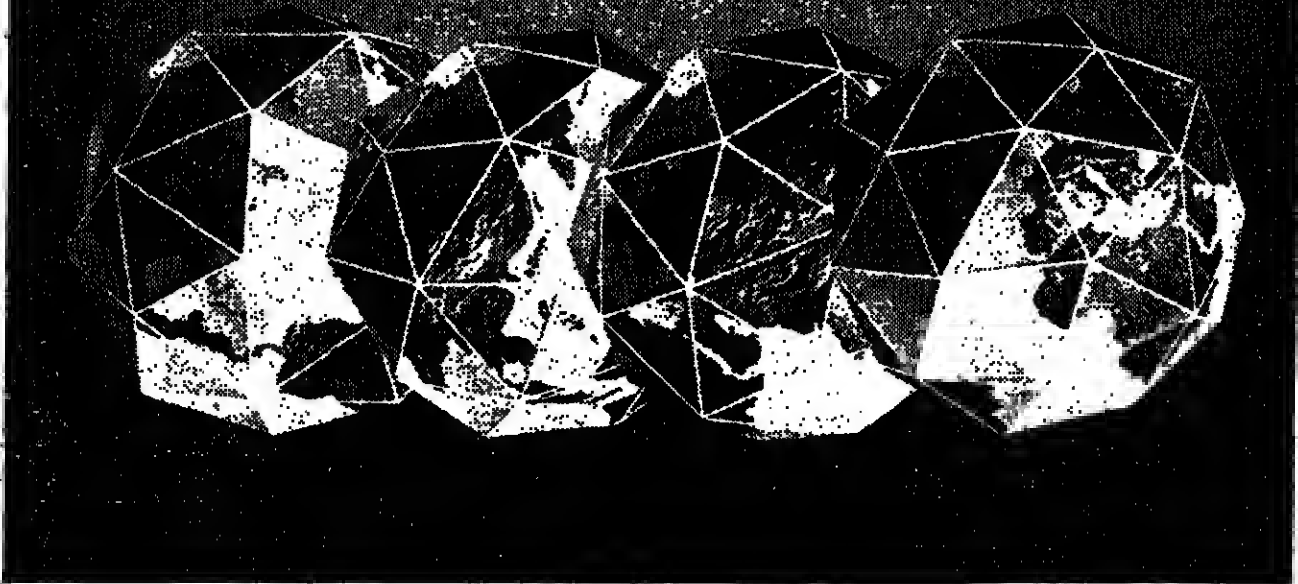
Total Assets	DM 12,501 mill. (US\$ 7,200 mill.)
Loans	DM 7,840 mill. (US\$ 4,520 mill.)
Deposits due to Customers of which Savings Deposits	DM 9,551 mill. (US\$ 5,500 mill.)
Capital funds (net value)	DM 5,679 mill. (US\$ 3,250 mill.)
	DM 423 mill. (US\$ 240 mill.)

Landesgirokasse



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BANKING IN WEST GERMANY VI

This page reviews the careers and thoughts of four of Germany's top bankers

Karl Otto Poehl takes the helm

HERR KARL OTTO POEHL, president of the Bundesbank since the beginning of the year, could hardly have expected such a rough start in his new post. As head of Germany's central bank he is charged with the duty of defending the value of the currency. For his more immediate predecessors this duty has presented only the problems of success.

Until recently, against a background of steadily accumulating current account surpluses, the Deutsche Mark has performed as one of the world's strongest currencies, posing to the Bundesbank authorities above all the questions of when the currency should be re-valued, how its apparently effortless rise could be most smoothly managed, and how its emergence as the world's second international reserve currency could be avoided—or at least slowed down.

For Herr Poehl, so far this year, the questions have appeared rather different. On January 3, in his first week of

office, the dollar reached a historical low against the D-mark. But since that date, pushed along by rapidly mounting U.S. interest rates, the dollar has gone from strength to strength. Since sinking to the D-mark it has since climbed back on foreign exchange markets to around \$1.80 and massive intervention by the Bundesbank to sell dollars has done little to stem the tide.

Herr Poehl is clearly facing an important test of his abilities early in his new office and his performance over the long haul—his appointment is for an initial period of eight years—will be strongly influenced by actions he takes in the next few months.

He faces the challenge of being in effect the first crisis manager of a West German balance of payments deficit and the tensions that are bound to emerge in the next few months could easily create difficulties for him in his dealings with the political powers in Bonn. But

there can at least be no doubts about his knowledge of the corridors of power in the Federal capital. It was his success first in the Federal Chancellery and later in the Finance Ministry itself which provided the spring-board for his appointment to Frankfurt.

Herr Poehl is hardly in the mould expected for West German central bankers. He is a rather young member of this select body, barely 50 when he took on the job at the beginning of this year. His rather suave appearance, his sense of irony and his reputation for relaxed pragmatism are qualities which are not at first expected in the head of one of the most powerful and certainly one of the most independent central banks in the world.

He first entered the political limelight in 1971 when he was brought into the Chancellery as an economic and financial adviser by the then Federal Chancellor, Willy Brandt. He first went into government service a year earlier when he

was appointed to head up one of the divisions in the Economics Ministry.

In strong contrast to his predecessor, at the Bundesbank, Dr. Omar Enninger, who spent about 30 years of his career solely within the central bank, Herr Poehl has followed an apparently zig-zag path to the top, gaining experience of a variety of different disciplines.

After studying economics at Göttingen University he spent several years with the Ifo economics institute in Munich, one of the foremost commentators on the daily pulse of West German economic and industrial life. From there he went to Bonn to begin a second career as an economics journalist, building up a reputation for incisive reporting during the mid-1960s. He crossed the fence from journalism to banking in 1968 when he joined the Federation of German Banks as a member of the executive.

From that staging post he moved into government service

with the Economics Ministry, since when his fortunes have been closely linked with those of the Social Democratic Party (SDP), the senior coalition partner in Bonn.

A member himself of the SPD, Herr Poehl moved from the Chancellery at the end of 1972 to the post of State Secretary in the Federal Finance Ministry, where he acted as the right-hand man of the then Finance Minister Herr Helmut Schmidt. Before the latter replaced Willy Brandt as Chancellor. At the Finance Ministry Herr Poehl was responsible for national and international monetary policy as well as basic issues of financial policy.

He moved easily through the international circles of the Organisation for Economic Co-operation and Development in Paris, the International Monetary Fund in Washington and the EEC monetary committee in Brussels and prepared the German Government's position for the first three economic



Herr Karl Otto Poehl

summits at Rambouillet, Puerto Rico and London. He also played an important part in Bonn's decision to join other major countries in abandoning fixed rates for their currencies against the dollar in 1973.

His final appointment to head the Bundesbank—he was appointed vice-president by Chancellor Helmut Schmidt in 1977—aroused some controversy in opposition circles on the grounds that the appointment was too "political" and could undermine the cherished independence of the central bank.

It is still too early to judge whether such concerns were entirely misplaced and it could well be that Herr Poehl's closeness to, and knowledge of, the Bonn scene will in fact enable him to enhance the Bundesbank's independence of the politicians. For the moment the monetary authorities in Frankfurt and the Finance Ministry in Bonn appear to be working in unison, but the problems on the one side of funding the Federal deficit in a sensitive election year, and on the other of supporting the currency and of following through tight money policies that are dedicated above all to maintaining stability in an unstable world, appear certain to prove a serious test of the closeness of that relationship in the coming months.

F. Wilhelm Christians

WHEN BANKERS in London talk of Deutsche Bank, Germany's largest commercial bank, they tend to associate it with the name of Dr. Wilfried Guth, the "speaker" and management Board member responsible for the international side of the bank. But Dr. Guth is only one of Deutsche Bank's "speakers"—the spokesmen sometimes akin to chairmen who speak on behalf of the Board of management. His colleague, with particular responsibility for the domestic operations of Deutsche Bank, is Dr. Wilhelm Christians.

Dr. Christians, like many other leading German bankers, studied law and political philosophy after World War II, during which he soldiered in Russia from the age of 17 and was wounded five times.

It was in preparation for training for the post-occupation West German diplomatic service that he joined Deutsche Bank in 1949. But the plan never came to fruition, and he became a full member of the staff two years later.

Thereafter his promotion was rapid. He worked in a number of branches throughout Germany, and held managerial positions at an early stage. Later he transferred to central office to become assistant general manager in 1963 at the age of 41. His responsibility was for the bank's securities business, and he has retained a special interest in the German and international stock markets ever since. Today he is vice-president of the Düsseldorf stock exchange.

Only four years after his promotion to central office Dr. Christians was elected a member of Deutsche Bank's board of management. He emerged as one of the board's joint speakers in 1976.

In an interview in his Frankfurt office a few weeks ago Dr. Christians spoke at length about the historical background to the present-day Deutsche Bank—the close links with government and industry, the unwritten rules which help to make the organisation a success, the bank's unique



Dr. F. Wilhelm Christians

management structure which means that branch managers always have easy access to a board member, the position of foreign banks in Germany, and many other things. Here are some quotes—

"This bank is one of the most democratic institutions I have got to know."

"Banking business is not a day-to-day business but a generation-to-generation business."

"Loyalty is a pillar of German banking."

"Secret reserves might be one of the most difficult things for us to give up. We fight a permanent war against unexpected events."

"Germany is one of the most liberal banking nations in the world."

"Maybe the approach of the foreign banks is wrong."

"We are fully conscious how vulnerable our reputation for power is."

Dr. Christians has the features of the all-round German "universal" banker. Apart from his stock exchange interests he is a member of the supervisory boards of several major German companies, including Bayer, Volkswagen and Karstadt. He is also chairman of a few companies, including Mannesmann.

He is married with a grown-up son and daughter.

Walter Siepp—internationalist

WALTER SIEPP, vice-chairman at the Westdeutsche Landesbank, is a bright young man of 54, a man who has somehow avoided the ambivalent banker's malaise of mid-life drift. His metamorphosis is from whiz-kid status to distinguished seniority is partly the result of clever career planning, but it also reveals a keen sense of the changing currents in German banking.

Indeed Dr. Siepp was the first senior commercial banker to defect to the WestLB, Germany's largest Landesbank, a move which explicitly acknowledged the fact that the Landesbanks have become a powerful force on the international market. Dr. Siepp is an international banker par excellence.

He began his banking career in Hesse and was employed by banks which subsequently were merged into the Deutsche Bank.

While still a trainee at the Deutsche Bank he completed a doctorate in law at the University of Frankfurt, was later admitted to the bar and by 1956 had become an assistant vice-president of the bank.

His career took an emphatically international turn in 1960 when he went to New York to deal with investment banking and trust business with First Boston Corporation and Morgan Stanley. In 1968 he came back to head the Deutsche Bank's important Frankfurt branch. By the early 1970s Dr. Siepp, who is fluent in English, was active in the U.S. again as vice-chairman of the executive committee of UBS-DB Corporation—security dealers and investment bankers—and served as a member of the Boston, FBW and Pacific Coast stock exchanges.

The big break came in 1974 when he gave up his position

as assistant general manager at Deutsche Bank (a position which almost certainly would have given him a seat on the board) to head WestLB's international operations.

The move came at a time when Dr. Ludwig Poullain, then WestLB's chief executive, was trying to steer the bank into international fields, expanding from simple export financing and taking over manager positions in international loan syndicates, into Eurobonds and international Deutsche Mark bonds. It was a period of particular sensitivity with both the North Rhine Westphalia State Government and the savings banks (the major shareholders) having to be reassured that WestLB was not neglecting its traditional task of servicing the savings banks; that on the contrary it was improving its competitiveness in relation to the big commercial banks.

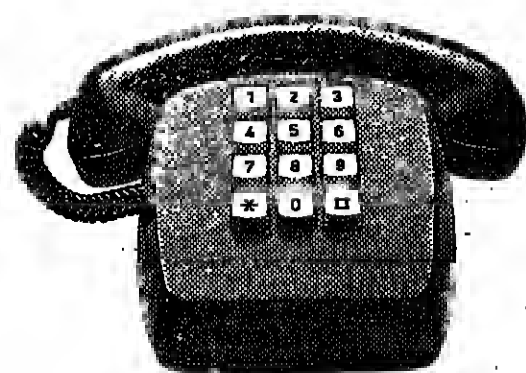
Dr. Siepp played an important role in this build-up. And when Herr Poullain departed—following allegations of improper consultation fee procedures—Dr. Siepp remained and kept WestLB's international business on course. Herr Poullain was replaced by Dr. Johannes Voelling, a man whose entire career has been in savings banks and Landesbanks, and Dr. Siepp was made a vice-chairman in charge of international business.

During the 1970s Dr. Siepp's career seemed to parallel the snowballing growth of the Landesbank's international business. "He seemed to have spent six out of the 10 years on board an aircraft," commented a former colleague. Now in an era of steady and less break-neck expansion, Dr. Siepp's career shows no sign of slackening.



Dr. Walter Siepp

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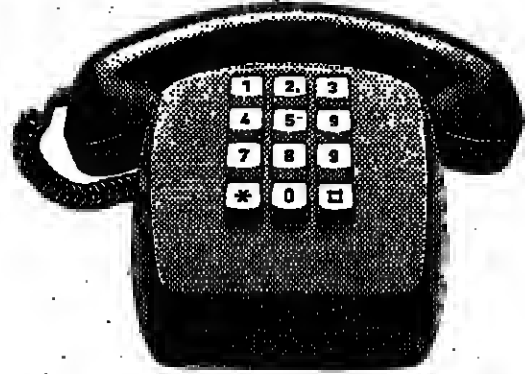
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THE BROADLY BASED BANK

Hermann Josef Abs

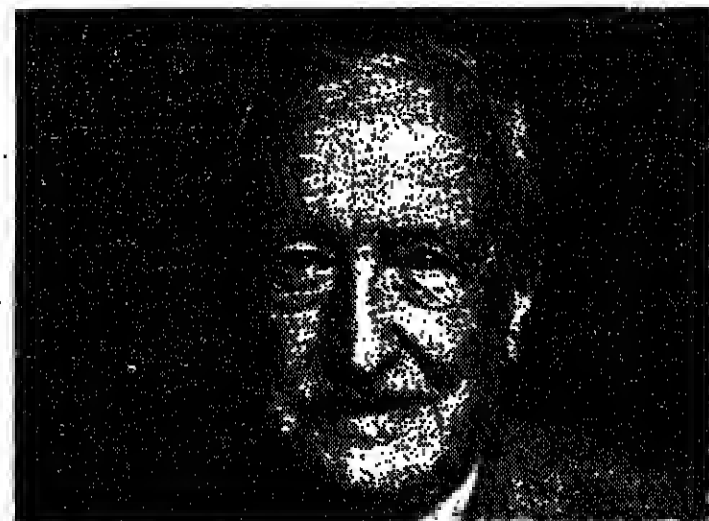
"WHEN HE STARTS talking, other people — bankers, politicians or whoever — always turn and listen." The comment was made a few months ago at a private luncheon about a man who has long shed most of his formal business responsibilities but whose influence remains strong.

Herr Hermann Josef Abs had begun to talk, quietly and precisely as ever, about the fluctuation in the gold price. Little by little all other conversation ceased. If anyone could make sense of the gold market, it was thought, then surely it would be Abs.

The topic might also have been the future of European monetary integration, or Third World debt, or the opportunities created by the oil crisis for those with the wit to see them. Herr Abs has commented on all these (in one or other of the half-dozen languages he commands) in recent months. At 78 he still seems to manage to stay well ahead of the conventional wisdoms.

His manner is courteous, his appearance that of a country squire whose private means have allowed him to move to rub for a business appointment. It is hard to realise that this man once had so great a concentration of economic and financial power and responsibility — that a special law limiting such influence has been named after him. The "Lex Abs" of 1965 cut back the number of supervisory board posts a single individual could maintain simultaneously in West Germany, markedly curtailing Herr Abs' activities on behalf of some of the country's leading industrial concerns.

But at least it did not cause him to break his links with the Deutsche Bank, the country's largest commercial bank, with which he has been associated for decades—as member then head of the executive board, then of the supervisory board



Herr Hermann Josef Abs

and finally as honorary chairman. The "Lex Abs" he says only half-ironically, was good for his health—giving him more time for the piano, the organ and his children and farm in the Rhineland.

What has been the secret of his success? His wide experience which made him the perfect all-round banker has something to do with it. Born in Bonn in 1901 the son of a lawyer, he learnt about international finance (and a lot about the commodity markets) in London, Paris and Amsterdam, about domestic problems as partner of a Berlin private bank — and finally became responsible for the Deutsche Bank's foreign operations while he was still in his thirties. The British interned him briefly when the war ended, but it was not long before he emerged again as a key figure in West Germany's economic recovery.

With this wide international experience he was the obvious choice to negotiate a settlement of Germany's pre-war debt—a delicate operation which finally satisfied the Allies without imposing too heavy a burden on

the country's credit structure. He headed the reconstruction loan corporation which in effect supervised the expenditure of Marshall Plan funds in industry, housing and commerce. The operation could have given big scope for misappropriation and scandal. There was none. Typically, Herr Abs ruled that no member of his staff could accept a present or even lunch with an outsider doing business with the corporation.

Some saw Abs as a Foreign Minister—even as a possible Federal Chancellor. It is said that the country's first post-war Chancellor, Dr. Konrad Adenauer, asked Abs to take on the foreign affairs post. But as Abs recalls with a half-smile, when Adenauer really wanted someone to do something, he told them rather than asked them.

It is a little hard to see anyone actually telling Abs to do anything. At any rate he has kept out of party politics and his admiration for the Christian Democrat Adenauer does not prevent him from praising the current Social Democrat Chancellor Herr Helmut Schmidt.



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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Opening a series on leading steel makers' strategies, Ian Hargreaves examines Armco

A U.S. shield against the slump



COPING WITH THE CRISIS

THE U.S. STEEL industry is at the crossroads, according to a paper presented in Washington last month by the American Iron and Steel Institute (AISI). Its choices are between a dramatic increase in investment, aided by changes in the government's fiscal and regulatory policies, or continued entrenchment by low profits and ageing equipment.

Most U.S. steel companies, like their counterparts in Western Europe, have fallen a long way behind Japan in new activity because they failed to generate sufficient profits to support investment in new plant and machinery. The task now is to moderate and to bring capacity into line with demand—and steelmakers are looking to the Administration for help.

But there is another option which the AISI paper did not mention, though it is a very live possibility—that the steel industry will become more selective in the types of steel it is prepared to make and that it will put a large slice of its available investment funds into diversification. It is a strategy which has already been successfully pursued by several European companies, notably Thyssen in Germany.

This third possibility is far from coming as a flash of light to U.S. steelmen. All the major companies have diversified to some extent in recent years, with the largest U.S. Steel now expanding its chemicals business into leather, even though it is pushing further into the distance an ambitious plan to build its first new steel mill for over twenty years.

Bethlehem, the number two company in the last year, has decided to appoint Donald Trautlein as chairman and president. Trautlein is the one top executive at Bethlehem who is not a steelman, having spent most of his career in accountancy.

THE U.S. company which has pushed the diversification process furthest is Armco. Armco still ranks number six in raw steel output, accounts for around 6 per cent of the industry's production and last year earned less than half its \$466m of operating income from the products it was founded 80 years ago to create. This year Armco plans to spend \$300 million on capital assets; just one quarter of it will go into basic steel, mainly for routine maintenance.

Ask Harry Holiday, the former Bethlehem engineer who is now Armco's chief executive, whether he expects

maximising steel production and judging their competitiveness by the performance of their fellow U.S. steel companies.

Even Armco did not produce its first long-range plan until 1968, towards the end of a decade when it was becoming clear that a sustained programme of capital spending on steel (\$300m a year for several years) was simply not going to take the company within striking distance of the 20 per cent return on investment it had set as a target.

The point was underscored in 1970-71, when a slump in steel demand found the company exposed with a high level of debt and badly squeezed margins. By then, it had a plan but it became questionable whether it possessed the financial muscle to carry it through. Even today, the company presents its affairs with a note of caution.

Holiday says 1980 will be "a critical year" in which the company will attempt to "demonstrate the strength of its shield against the domestic steel cycle and the power inherent in our diversification."

There is much to suggest that Armco need not worry. Its liveliest area of growth is in the booming oil services sector through a subsidiary called National Supply, which makes drilling equipment and was bought by Armco in 1958 in a search for captive customers for its steel and steel fabrications. The company remained undeveloped until after the 1974 energy crisis, since when demand for its drilling equipment has bounded ahead. There is no sign of a let-up, as Armco has just raised from 70,000 to 82,000 its forecast of the number of wells to be drilled in the U.S. between 1978 and 1980.

National Supply, with plants in Texas, California and Stockport, England, is hoping soon to unveil plans for a large manufacturing facility in Mexico. It more than doubled sales to over \$1bn inside five years.

Expansion, both by extending the range of drilling components National Supply manufactures and by increasing the company's resourcefulness in the oilfield services sector, is the main short-term objective. Armco sees National Supply accounting for 20 per cent of net assets by 1982, compared with 12 per cent today. That will make National Supply bigger in Armco than its flat rolled

steel division—the most steeply cyclical of the company's basic steel areas.

The higher margins in the oil related businesses—Armco also has oil and gas exploration interests—have helped to raise the rate of return on net assets to around 10 per cent. In terms of return on sales, the contrast between steel and the new growth sectors is also stark. Last year, \$2.59bn of carbon steel sales produced operating income of \$151m. In oilfield equipment and products, the comparable figures were \$897m in sales and \$127m in profits.

The main impression from the outside of this newly-varied creature is one of tremendous buoyancy. In the last few months the company has made public a steady stream of minor acquisitions and dispositions (insurance companies in Ohio and England in the first category, a manufacturer of storage baskets for spare parts in the motor industry in the second). Armco has also been promoting a new type of galvanised rolled steel in Detroit and Bill Verity, the chairman, has been highly active in the statesmanship side of the business.

Verity, grandson of the company's founder and one of the few former public relations men at the top of a major industrial company, is an influential figure in the Washington debate about steel regulation and the problem of imports, against which U.S. Steel took legal action ten days ago.

Although Armco was driven to take a similar posture in the last anti-imports furor of 1977, and still says it is keeping open the possibility of a hostile response in the present situation, one senses that Verity is the dove to the hawk represented by David Roderick, chairman of U.S. Steel. One of the other doves is not only the head of Bethlehem but also the chairman of AISI.

Apart from anything else, Armco is unique among U.S. steelmakers in the volume of its international operations, with interests in more than 30 countries. Armco is especially and unusually active in the Eastern bloc, which brought it into the limelight in January when it was forced to pull out of one of the two major manufacturing industry deals with the Soviet Union because of President Carter's embargo on high technology trade with the Russians.

There is also another, more subtle reason why Armco is less strident than the less diversified companies. Their attitude, recent history shows, varies in direct proportion to the position of the steel cycle; in the U.S., in spite of predatory imports, pollution laws and the rest, steelmen still make a lot of money in booms.

In the last major boom of 1974, Armco recorded a 17 per cent return on shareholders' equity, and an 11.5 per cent return on average net assets, which it struggled to reach again by 1982-83. Its return on sales in that year was 6.3 per cent, compared with 4.4 per cent last year.

In turning its back on the downturn of the cycle, Armco is therefore also turning its back on the boom. Examined individually, the components of its carefully assembled shield against the cycle still vary considerably in quality. Even in steel, the range is from the modern Middletown Ohio plant whose productivity matches the best, to the Houston factory whose problems are so serious that it could join the list of Armco's assets for sale this year. There have also been some miscalculations in the ore business, which have found the company with a large, unwanted supply contract from South America, forcing it to sell ore on the depressed open market.

The abiding impression, however, is of solidity. Armco is now a company whose principal business is in two of industry's most capital intensive and volatile sectors—oil and steel—but its balance sheet is not laced with riskiness. Even the company's financial executives express a touch of embarrassment at the conservatism of the 25.2 per cent debt-equity ratio. One thing is certain: some other American steel companies would give their best blast furnace to be where Armco is now in terms of strategy.



William Verity (left), chairman, and Harry Holiday, chief executive: architects of Armco's long-standing diversification policy.

Aircraft

In addition to oil, activities and the basic carbon steel production, Armco has five other main territories: special steels (it is a leader in making electrical steel); mineral resources (mainly coal, ore and limestone); metal fabrications; financial services and a miscellany of industrial products in man-made materials.

All of these have, in some way, grown out of the steel business—the leasing expertise, for example, which Armco applied with success in the aircraft field then led to aircraft insurance in the early 1970s—but the crucial step towards conglomerate management has been taken: each sector is managed separately, accounts separately and justifies its investment needs separately.

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British avalanche hits Swiss business school

IF YOU believe there is more than a tenuous connection between the level of management education and the prosperity of a country—then there is more than a glimmer of hope for British business.

Not only has management education blossomed in the UK over the past 15 years, but the British appear belatedly to be invading European business schools in search of enlightenment.

At CEI (Centre d'Etudes Industrielles) one of the three leading European business schools outside the UK, more businessmen from Britain are now attending than from any other country. This emerged last month at a meeting of the school's alumni in Switzerland.

Undeterred by the strength of the Swiss franc, 111 British managers attended programmes at CEI in its latest full year, 1978-79. They represented nearly 15 per cent of the total intake of 765.

The number of Britons attending the centre, based just outside Geneva, has been rising rapidly since the early 1970s. It is now closely followed by the Dutch, Germans and the Swedes, all of whom used to be well ahead in the attendance league.

The most popular course for UK managers appears to be the one week International Programme for Senior Executives, the second highest-level course run by CEI. Aimed at twice as many British managers attended this course than managers from any other country.

Like INSEAD, its competitor in nearby Lausanne, it began life as a company management education centre; INSEAD's originator was Nestlé.

But CEI has developed considerably from its original base. Ten years ago over half its budget and the majority of its governing board came from the Swiss. Today the company provides 3 per cent of the finance and has two members on the Foundation Board of 15.

From the start of its life, CEI's other arch rival, INSEAD, was a more independent body: it was a co-operative effort set up with the aid of the Paris Chamber of Commerce which leased a site to INSEAD.

CEI's boast to be the most international of the leading business schools is reinforced by the decision of Reckitt and Colman, one of Britain's largest companies, to use the centre's facilities to run a special tailor-made senior manager development programme.

Reckitt's programme of top-level management training and development will extend over 10 years. According to Clive Fieth, Reckitt and Colman's U.K. director of personnel, the company is trying to achieve two things: to broaden the vision of its top management and to establish a more consistent management style throughout its worldwide operation, which extends across more than 40 countries.

Reckitt had two choices, says Fieth—either for its individual companies to use local management training facilities, or to use one central school to which managers from around the world could attend.

By opting for one course in preference to individual ones in each country Reckitt was more likely to establish the consistent style it wanted.

Fieth looked at six business schools, two in Britain and four in Europe. The reason he chose CEI, he says, was that it had the greatest international breadth and because of the depth and experience of its faculty. The reason no American business schools were considered was because they were seen as too insular.

In all Fieth hopes to put 150 of the company's top managers through the hoop, with two dozen of them attending at a time, for a period of three weeks.

The benefits from such a management development programme are very difficult to measure. As Clive Fieth reflects, somewhat philosophically: "In two years' time we should be able to see the impact."

Jason Crisp

Danes use UK valves

DESIGNED TO play a crucial role in the safety of a new, Danish, pulverised-fuel generating station where they are to be fitted in boiler front ends, and then linked to a computerised safety circuit which protects the whole plant from the danger of explosion, are Wey valves made by Reiss Engineering, Dalston Gardens, Stanmore, Middx. (01-204 7155).

These 75 special 400 mm bore valves are said to provide a guaranteed shut-off time of two seconds and were chosen for inclusion in the new plant (an extension of the existing Asnæs power station) being built by the IFV Power Company of Copenhagen.

The safety system at the station responds to any change in the operating conditions—such as a marked rise in temperature or pressure—so that two electrocooled signals are transmitted to the Wey valves which close, pneumatically, within two seconds, thus preventing any chance of blow back along the fuel lines to the pulverising mill.

The time taken to obtain 100 per cent shut off is crucial and, in obtaining the order, the British valve maker had to guarantee a two second closure rate which meets the most stringent international safety standards.

The company's Wey valves are also to be installed to provide mill isolation and to handle ash slurries and, in these applications, the 100 per cent shut off and high resistance to abrasion will also underline the importance of their value.

ENERGY

Photo-power cell design

NEWS COMES from the Weizmann Institute of Science, Rehovot, Israel, of a new type of photo-electric chemical cell which might prove useful for powering remotely located telecommunications systems or pumping units in desert areas.

Few technical details are available at the moment apart from the fact that two electrodes and a polysulphide electrolyte are employed in a unit which measures about 200 mm long by 50 mm wide. These have been combined into larger units able to produce 24 volts. By the addition of a third electrode of an undisclosed nature the cell can apparently be made to operate in a storage mode.

The Institute claims that the light-to-voltage conversion efficiency of the liquid cells compares favourably with solid state devices and that the materials costs are lower.

LAING

make ideas take shape

INSTRUMENTS

Heat loss meter

METROL describes an instrument which, its Spanish developers say, makes possible for the first time direct measurement of heat losses in the field.

It has three scales—heat per square metre per hour, Watts per square metre and BTU square foot/hour—and can register over the range 0.1 to 1,000 BTU square foot/hour, for instance.

No power source or batteries are required and the thermoelectric transducer (probe) and the meter it drives are optimally matched.

In operation, the probe is attached to any surface which is to be studied. A reading is taken as soon as the probe is in thermal equilibrium with the surface. For large areas, an averaging operation is recommended.

Calibration is at source and the unit can readily be used to estimate K values.

Further details from Disco Ingenieros SA, Santusma Trinidad, 20, Madrid 3, Spain.

ANALYSES

Rapid determination of protein and moisture of cereals

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TRANSPORT

Freighting overseas

PRACTICAL REFERENCE book for lorry operators whose vehicles travel out of the UK is "A Transport Manager's Guide to International Freightage," written by the late Johnny Johnson who was transport editor of Garage and Transport.

This guide covers documentation requirements, insurance obligations, port facilities at all major British roll on/roll off terminals, scheduled ferry services, vehicle recovery facilities, drivers' hours requirements, tachographs, and travel abroad, etc.

It is available in paperback at £2.95 (hardback at £6.95) from Kogan Page, 120 Pentonville Road, London, N1, or Transport International Pool, Star House, 69-71 Clarendon Road, Watford, Herts. (0923 48311).

COMPONENTS

Improved Sykes pump

A METHOD of automatic priming, in which air is separated from the liquid both in front of and behind the impeller, is one of the principal advances claimed for the latest version of the Univac automatic priming pump manufactured by Sykes Pumps Woolwich Road, Charlton, London SE7 (01-853 8121).

Among the benefits said to be offered to the user by this new design are improved overall effectiveness and more efficient priming. The addition of a facility for extracting air from the eye of the impeller offers an important advantage over conventional front priming, particularly when a high proportion of air is entrained in the fluid being handled.

The new Series II Univac is manufactured to metric sizes designated as UV100, UV150 and UV200, corresponding to

MATERIALS

Thickening agents

FIRST THREE in a series of water soluble thickening agents, designed specifically for the water-based adhesive and latex compounding industries, are named Viscalex AT-11, AT-22 and AT-33, and are available from Allied Colloids, PO Box 38, Low Moor, Bradford, West Yorkshire (0274 671267).

They are supplied as low viscosity, high solids dispersions that are freeze/thaw stable and produce rapid and efficient thickening when added directly to an aqueous formulation.

No addition of alkali is required and the series is said to be effective over a wide pH range, e.g. pH 4.5-12.0.

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THE ARTS

London Galleries

Four English painters

by WILLIAM PACKER

There is at the moment a great deal of excellent modern painting to be seen in London. Nothing is very unusual in that you might, indeed should say, but the problem it presents is hardly answered by mere simple, honest encouragement. For as it always does, plenty only serves to raise the awkward matter of selection to the condition of real difficulty, any decision bound to be in some measure partial and unfair. The little survey made here, therefore, is not meant to be taken at all as an exclusive or definitive judgment, setting out only the very best of the crop, but rather as an indication of the variety of work of such quality currently, as it is regularly available to the sympathetic and energetic viewer.

Geoff Ogden (at the Fieldbourne Gallery, Queen's Grove, NW8, until April 12) is the only one of the four I have chosen. His work is a direct and unaffected expressionism. He lives and works deep in the countryside, beyond Newlyn, towards Land's End, in circumstances which are, to say the very least, extremely testing. Indeed, it remains a source of some wonder to those who know him that he is still able to work at all, let alone produce anything that is any good. Yet he does go on, determined to live, so far as is possible, by and for his art, a brave and remarkable man.

His subject is the landscape about him, that has become, in an important aspect of his work, the private world through which he and his family move. The paintings he makes of this latter kind are usually rather large and inevitably self-conscious, fraught with personal feeling and significance. They are not without interest, but they are awkward and unresolved, the figures curious

impositions, at odds with the landscape, the landscape itself rather generalised and unconvincing, as though invented; which all goes to suggest, not that the work is second-rate, but that it has been shown prematurely. Ogden, perhaps, like many an artist shown too seldom through no fault of his own, might simply have been tempted by the London opportunity to put just too much in.

For the fact is that the landscapes alone, fruit of direct experience and work on the spot, have strength and authority enough to stand up in any company, spontaneous and naturally inventive images, handled with confidence, deftness and subtlety. Ogden enjoys a real sense of place, which he communicates admirably, spiriting us past his tangles of undergrowth and broken scrub, away across the typical Cornish moorland to the sea far beyond, exercising the visual imagination by an instinctive command of practical means. He is one of the most interesting of our landscape painters at work today.

John Loker (at Angela Flowers, Tottenham Mews W1, until April 12) is another landscape painter, but one of altogether different an order, consciously sophisticated and abstracted. Certainly the landscape gives him a particular and recognisable starting point, but its image, already generalised to near abstraction, is then systematically set at a further remove from that source, through a number of stages, step by step. The process itself is quite simple, the initial statement set against a grid which is then amplified by degrees, the image itself thus enlarged, and the eye drawn in to the ever infatigable detail. The particular reference, such as it is, fades away, leaving only an aura of association to the simple

brush-stroke, the paint itself and the worked surface.

Loker has been employing this method and this serial device for some years, to what is often stunning effect, the paintings themselves of seductive subtlety and finesse. But, however beautiful the results, mere reputation can be stultifying, and in the end even destructive to the artist. Development cannot be forced, I know, but remains necessary. The exciting thing about this show, therefore, is the evidence it presents, quite apart from very good pictures, of some important changes taking place, the painted borders, for example, which were so conspicuous have been eroded, in one case removed altogether; and the general handling has become freer, worked from the wrist as it were, rather than the finger-tip, bespeaking a welcome relaxation and expansiveness. The small works on paper, single images grouped together, also suggest that the one image on a single canvas might not be very far away.

The only entirely abstract paintings are by Terry Frost (at the New Art Centre, Sloane Street, again until April 12), another artist based in Cornwall, and the most senior of my four. His work is disarmingly, deceptively straightforward, almost baldly so, his clean, bold colour informing the simplest of forms, those often quite roughly drawn or even just out from the world around him, from what he sees. There is in fact discernible in his work a quality of the Cornwell he has known for so many years, which it seems he cannot do without: the clarity of the air that sharpens the form, and gets into and conditions the colour. And it is not stretching the fancy too far to see in his work the suggestive presence of images that lesser, more literal artists might never make their

own, rings and ropes around a bollard, corks and buoys bobbing on the water, bright sails against dark seas.

And finally a very brief word about John Walker, whose latest work is to be shown in two groups (at Nigel Green, 10, Sloane Gardens, P1, until April 19; Part II until May 10). This is his first major exhibition in this country for a considerable time, and thus an event of some importance, one which I intend to treat at some length. He, too, is an artist whose work is undergoing fundamental if gradual change, moving gingerly from abstraction towards, if not a clear representation, at least an imagery rich in figurative suggestion and ambiguous association. The works are as large and ambitious as ever, the surface dense and cluttered with paint, and very exciting to see. I shall now wait for Part II, but strongly recommend a visit to Part I in the meantime.



Self-portrait: Geoff Ogden

just painting about painting. Frost is a manifest romantic; he, too, draws his visual excitement not just from his work but from the world around him, from what he sees. There is in fact discernible in his work a quality of the Cornwell he has known for so many years, which it seems he cannot do without: the clarity of the air that sharpens the form, and gets into and conditions the colour. And it is not stretching the fancy too far to see in his work the suggestive presence of images that lesser, more literal artists might never make their

own, rings and ropes around a bollard, corks and buoys bobbing on the water, bright sails against dark seas.

And finally a very brief word about John Walker, whose latest work is to be shown in two groups (at Nigel Green, 10, Sloane Gardens, P1, until April 19; Part II until May 10). This is his first major exhibition in this country for a considerable time, and thus an event of some importance, one which I intend to treat at some length. He, too, is an artist whose work is undergoing fundamental if gradual change, moving gingerly from abstraction towards, if not a clear representation, at least an imagery rich in figurative suggestion and ambiguous association. The works are as large and ambitious as ever, the surface dense and cluttered with paint, and very exciting to see. I shall now wait for Part II, but strongly recommend a visit to Part I in the meantime.

St. John's, Smith Square

Schola Cantorum

by FRANK DOBBINS

Last Friday's charity concert in aid of the Lourdes Sick Pilgrims' Fund marked the 10th anniversary of the foundation of the Schola Cantorum of Ampleforth Abbey under the direction of David Bowman. It also celebrated the 1500th anniversary of the birth of St. Benedict and this provided a unifying theme for a varied selection of plain-song and polyphony spanning many centuries. In the first half there was a quasi-liturgical alternation of plain-song proper for the Feast of St. Benedict sung by five men with Vaughan Williams' G-minor setting of the Ordinary sung by the 60-strong choir of pupils and teachers from Ampleforth School.

Vaughan Williams' Mass parallels his earlier *Fantasia on a Theme of Thomas Tallis* both in its scoring for double choir and solo quartet of singers and in its modal counterpoint enlivened by gentle cadential dissonance inspired by Tudor models. It also offers a

restrained interpretation of the words placing greater emphasis on melodic attractions and textual contrasts. After a rather cold start the choir warmed well to a disciplined and well-contrasted performance, although the trebles were somewhat strained in their upper reaches; and the solo voices rather green and tentative.

After the interval six polyphonic motets, mainly by 16th century masters, alternated with a plain-song Sequence and Offertory plus an organ solo by Bach included as an ecumenical gesture. The choir achieved a bright and varied dynamic in Palestrina's five-part psalm *Psalm 134*. Deo although the entries and ensembles were far from crisp. Such weaknesses were less apparent in Palestrina's simpler four part *Ego sum pennis et Vittoria's* resonant *O Quam Gloriosum*. Peter Phillips' powerful *Hodie sanctus benedictus* provided the grand finale. The lower voices coped

well with Gallus' *Honestum facit* and the whole choir combined eloquently to illustrate the rich harmony of Stanford's *Beati quorum visio*.

The youthful Choral Variations of Gottfried Gott hardly represents the zenith of Bach's compositional mastery; the organist Andrew Wright showed his manual skill in responding to the work's technical demands, but his rather pedestrian and mechanical interpretation failed to relieve its tedium. The large audience, restive at this point, enthusiastically acclaimed the rest of the programme; and indeed the energetic director David Bowman can feel justly proud of the musical achievement of a school which can produce such a fine choir without a large number of choral scholarships to maintain the fine traditions of Catholic church music in "these days of liturgical experiment and uncertainty."

Book Review

An actor prepares

Double Bill
by Alec McCowen. Elm Tree Books. £7.95. 198 pages

There are certain actors, not many, and not necessarily in the ranks of the greatest, whom one always looks forward to meeting again on the stage. Such an actor is Alec McCowen, whose career to date spans the early days of the Royal Shakespeare Company (playing *Polonius* in *Hamlet* and *Antipholus* in *Syracuse* in the celebrated *Comedy of Errors*) to the middle years of the National (in *Equus* and *The Misanthrope*). There were years, too, in the West End of the 1950s and on television and in films.

Mr. McCowen can deliver lines with the articulated speed of an ack-ack gun. His voice hits the ear like a splash of dry Martinis hits the throat. Sharp and refreshing. He is dapper, classless and bright. He was born in Tunbridge Wells 55 years ago. He has no baggage of background or overblown

reputation to worry about. He is a very fine actor of incisive technical skill.

Of late, Mr. McCowen has started to write. After a touching account of his childhood in *Young Gemini*, he has now put between hard covers notes from his diary that are, in the main, composed around two of his most conspicuous stage triumphs. Just over ten years ago he broke through to comparative stardom as *Hadrian* in *Hadrian* at the Mermaid Theatre. More recently he performed, solo and from memory, the *St. Mark's Gospel* in the *King James* version. Both performances coincided with a time of personal crisis. In each case, we are not allowed to know what the crisis was. But in the most unpretentious and affecting manner, Mr. McCowen's unfussy accounts of his involvement in these shows reveal a man of inquisitive disposition and considerable humour.

The pages are a little too full of what the weather is like, what Mr. McCowen had for

breakfast and how much to drink later on. But the more solid passages contain detailed accounts of preparation for a major performance, of his views of different sorts of directors (no names, no pack drill, except in the case of special favourites like Peter Dews and Vivian Matalon) and of the art of comedy as manifest in the work of Jack Benny, Sid Field and Max Miller.

His reflections on the state of the British stage are confined to his own place on it, explaining in full how he leapt the chasm from juvenile support to leading character actor, thanks to *Hadrian*. Lacking urbanity and an overall view of theatrical fashions, the book will not, perhaps, stand the test of time in the way that something like John Gielgud's *Stage Directions* will. But his bumble exegesis of *St. Mark's* is fascinating, and the overriding impression he leaves is of a solitary man of great dedication and with a capacity to enjoy life's simple pleasures. MICHAEL COVENEY

Andy and others

by WILLIAM PACKER

Standing out amongst the latest crop of Art Books like a clown at a funeral, is Andy Warhol's *Exposures* (Hutchinson, 257 pp, 360 illus., £3.95), the most funny-peculiar publication for some time. It is not particularly well produced, the index, such as it is, stuck perfunctorily into the endpapers, and, on an overall appearance that is well, unprepossessing, but for all that it is possessed of a distinct if decidedly squalid charm.

Really it is a Picture Book, a self-consciously non-art collection of the photographs that Andy Warhol takes

obsessively of his friends and acquaintances who inhabit the shadowy half-world of the Manhattan night, a world in which celebrity has become an end in itself, all one needs to secure a place on the endless round of parties, night clubs and discotheques. Singers, film stars, transvestites, actresses, millionaires, gigolos, politicians, make up the shifting but strangely consistent cast, and with his deadly little automatic camera, Warhol is their merciless observer and chronicler, self-appointed; deadpan, crypto-puritan, and always mocking, mocking.

And, as though his battery of portraits were not indictment enough, he supplies his own commentary, confessing first of all his own terminal disability: "I have Social Disease. I have to go out every night. . . How do you catch Social Disease? By kissing someone on both cheeks. . . Socialites never shake hands. It hurts too much. . . It's the hystonic plague of our time. . ."

Then he starts on the people: "And no sooner had everybody kissed everybody on both cheeks and sat down, than who should show up but Bianca with Jack Ford. . . I introduced Bianca to the Duchess of Windsor, because Bianca had always admired her. And Bianca introduced us to Jack Ford. . . After dinner, we all—but not the Duchess—went dancing at Le Jardin. . . Some boy came up to Jack to ask him to dance. Jack had no idea what to do. I guess Shirley Temple Black, Ford's Chief of Protocol, never told him the proper way for a President's son to behave in a gay bar. . . We went down to Washington on the Metroliner and checked into a real dump. . . We found Bianca in her hairdresser's room, getting ready to go to the White House. (He was) taking Polaroids to make sure Bianca was photographed."

"One of the best times I had at Diana Vreeland's was with the Duchess of Windsor. It was the first time I met the Duchess. I brought her a little flower painting. She thought it was a box of candy and kept trying to open it. I didn't know what to say or do, as usual. Diana's

upstairs neighbour, Kitty Miller . . . was also there. . . For three solid hours the Duchess, Diana and Kitty said 'gay' every other adjective and never once meant homosexual. . . (Diana) was on the beach in France, sunbathing with Gary Cooper, when the King of Spain landed."

"I think the best family in the world is the Kennedy-Onassis-Bouvier-Beale-Radziwili family. . . They're like a soap opera—every day you open the papers and get a new instalment. Actually you don't even have to open the paper because they always make page one. 'Maria Shriver Dates Arnold Schwarzenegger'. . . John Kennedy Takes Apartment in Boston'. Joan is my favourite Kennedy, because once I sat next to her at dinner in Washington, and she invited me to mass the next day. . . John has really grown up to be a glamour boy. He hates being called John John now and punches paparazzi on the nose just like Marlon Brando. . . (Caroline) was the belle of the ball at the party Lady Anne Lambton gave when my philosophy book, 'From A to B and Back Again', was published in England. . . And her mother wanted her to come home because of that party. But Caroline just danced all night. She didn't do anything wrong. It was just a kids' party. I ran into Jackie in New York after that. She said to me, 'Thank you for taking such good care of Caroline in London.' I wasn't sure what she meant."

Andy Warhol's *Exposures* is a fascinating, hilarious, appalling book, and in its weird way a considerable social document.



Bianca Jagger: photographed by Andy Warhol

New York City Opera

Silverlake

by WILLIAM WEAVER

The programme of the New York City Opera refers to its newly revived *Silverlake* as "this nearly forgotten Kurt Weill opera." It is not quite that. In 1933 Weill wrote 16 numbers for a long play, *Silverlake*, by Georg Kaiser, with whom he had already collaborated for *Der Protagonist* and *Der Zar lässt sich photographieren* in the mid-twenties. *Silverlake* opened in Leipzig, Magdeburg and Erfurt simultaneously on February 18, 1933, less than three weeks after Hitler was made Chancellor of the Third Reich and nine days before the burning of the Reichstag. Despite the play's success, it was closed on March 4, and on March 21 Weill and his wife Lotte fled Germany.

Since 1933 *Silverlake* has been neglected for a number of reasons (one of them, apparently, the reluctance of Kaiser's heirs to allow any adaptation of the long play). But now, the obstacles have been overcome, and at the State Theatre here, the City Opera is presenting a fascinating, moving adaptation of the work, now much closer to an opera than it was in 1933. For Kaiser's "winter's tale," as he called it, has been abridged and streamlined for this production by

Hugh Wheeler, author of the books for several Broadway hits, including *Sweeney Todd* (shortly to be seen in London). And the Weill specialist, Lys Symonette, musicologist and head of the Kurt Weill Institute, has dug out and arranged obscure bits of Weill incidental music (for such works as Strindberg's *Castle III* and Feuchtwanger's *The Island of Oth*) and added them to the score; as a result, there is music through nearly all of this *Silverlake*, as the singers, when not singing, speak over Weill's music.

And then, of course, there are the songs. Lenya recorded two of them — "Fennimore's Lied" and "Caesar's Death" — years ago, but there are a number of others, less familiar (including the hitler-comic "Tiger duet"), and they represent Weill at his spare, incisive best (there will be an "original cast" recording of the work in the near future).

Harold Prince, Broadway producer of *Sweeney Todd* and a whole series of precedent hits, approaches the Kaiser-Weill book and the Weill music with respect as well as imagination. There are marvellous gags, where required, as in the Tiger duet mentioned above; at other times, the singers are allowed to stand still, while their music

makes its effect. Prince is fortunate in his cast: the two main roles are taken by William Neill, a burly baritone, and the Broadway character-performer Cabot Grey (who starred in *Cabaret*, another Prince hit). Elizabeth Hynes is a perfect Fennimore: blonde hair in tightly-marcelled waves, drab clothes, demure manner. She is an exquisite reproduction of one of those '30s movie heroines (Madge Evans? Sally Eilers?) who jerked many a tear. Her antagonist, in the role of Frau von Luber, is a grandly sinister, red-haired Elaine Bonazzi. Her many small roles are strongly cast; Penny Orloff and Jane Shandis, as a pair of cynical salesgirls, deserve a special mention.

The tale of *Silverlake* is disarmingly simple: some good poor people are pitted against some bad rich people (one of whom, a former police agent suddenly made a millionaire by a lottery win, goes over to the poor side).

The rich seem to win—they regain their castle—because the poor, in the end, are happier, because they listen to their hearts. Wheeler's words are beautiful, appealing Lys Symonette has translated the lyrics with wit. If *Silverlake* does not have the savage force of *Dray-*

roschenoper and *Mohogony*, it has a delicacy and a wistfulness all its own, a quieter vitality.

Manuel Lugtenborst, the designer, has created a landscape of mirrors and silvery trees, and a number of plexiglass panels that can be moved to form barriers or boxes, or can simply disappear. His costumes, too, are enjoyable to see. Larry Fuller has choreographed the movements of Gary Chryst, who mimes the role of Hunger, the symbolic figure who is present in the work from the beginning.

Julius Rudel, who first approached Prince with the idea of doing *Silverlake* at the City Opera, conducts a smooth, lively, coherent reading of the enriched score. The only defect—bad amplification—will no doubt be corrected in later performances.

Pop star's dress for Theatre Museum

Debbie Harry, the vocalist with the American band Blondie, has presented the Theatre Museum in London with the stage costume she wore on her recent British tour. It is a mini-dress cum romper suit, designed by Stephen Sprounce, in slippery, silk-look acrylic. It is coloured day-glo yellow, with wavy orange/pink stripes.

CONTRACTS AND TENDERS

On the basis of the decision regarding conditions of importation of equipment for the capital construction (official register of SFRJ No. 31/78), sour, "Elektro" to "Exportimport" Sarajevo, Yugoslavia, on behalf of, and for the account of, sour, "Elektroprivreda BiH" to "Hidro-elektrane na Neretvi" Mostar, Yugoslavia.

INVITES TENDERS

for supply and erection of equipment for the telecommunication systems at the hydroelectric power plants Salakovac and Grabovica as part of the Middle Neretva hydroelectric power project for which the World Bank has granted a loan—1581-YU. Telecommunication system for one power station consists of: 1 Radio link system 2 HF carrier transmission system 3 Automatic telephone exchange for the electric power 4 Telex communication system 5 Time signal transmission system 6 Interphone communication system 7 Fire signalization system 8 Facsimile transmission system 9 Power supply system, cables and auxiliary devices. Tender documents are available from Radne Organizacija "Hidroelektrane na Neretvi" 79000 Mostar, Alekse Santica 108A, on payment of U.S. \$150 for each (against presentation of the corresponding certificate for the requested amount) to the "Hidroelektrane na Neretvi" Mostar, Account No. 11800-620-16-247 or Account No. 11800-620-16-26730 with Privredna Banka, Mostar.

Tenders to be submitted five-fold in English in accordance with the instructions given in the tender documents, and to be received not later than 10.00 hours on 21 May, 1980. Tenders received after the stipulated time will be returned to the bidders unopened. Tenders will be opened in public at the business offices of "Hidroelektrane na Neretvi" Mostar, Alekse Santica 108A, at 10.00 hours on 21 May, 1980. Only bidders from World Bank member countries and Switzerland have the right to bid.

LEGAL NOTICES

THE COMPANIES ACTS 1948 TO 1967
TELCOR (U.K.) LIMITED
NOTICE IS HEREBY GIVEN that the creditors of the above-named Company are required on or before the 2nd day of May, 1980, to send their names and addresses and the particulars of their debts or claims, and the names and addresses of their Solicitors, if any, to PHILIP MONJACK, FCA, 3/4 Bennett Street, London W1A 3BA.

The Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are by their Solicitors, or personally, to come in and prove their said debts or claims at such times and places as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 21st day of March, 1980.
P. MONJACK, Liquidator.

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COMPANY NOTICES

U.S.\$ 60,000,000
Alcoa of Australia Limited
10% Bonds Due 1989

Holders of the above bonds are advised that the annual report and accounts for the year ended 31st December, 1979 of Alcoa of Australia Limited are available at the offices of Credit Suisse First Boston Limited, 22 Bishopsgate, London EC2N 4BQ

PUBLIC NOTICES

COUNTY OF CLEVELAND
VARIABLE RATE REDEMABLE STOCK 1984
The Council of the County of Cleveland announces that the half-yearly payment of interest due on 28th September, 1980, on the above stock will be at the rate of £2.6719 (less income tax) per £100 Stock.

COMPANY NOTICES

THE RANDFONTEIN ESTATES GOLD MINING COMPANY, WITWATERSRAND, LIMITED
WESTERN AREAS GOLD MINING COMPANY LIMITED
ELSBURG GOLD MINING COMPANY LIMITED
(All Incorporated in the Republic of South Africa)

ABRIDGED NOTICES OF ANNUAL GENERAL MEETINGS AND CLOSING OF TRANSFER REGISTERS

The annual general meetings of the above companies will be held in the board room, Sandown Building, corner of Fox and Harrison Streets, Johannesburg, at the following times:

The Randfontein Estates Gold Mining Company, Witwatersrand, Limited 28th April 1980 11.15
Western Areas Gold Mining Company Limited 18th May 1980 09.15
Elsburg Gold Mining Company Limited 12th May 1980 12.00

Special business as set out in the notice issued to members will be conducted at the annual general meeting of members of Western Areas Gold Mining Company Limited.

In respect of each of these meetings, any member of the company concerned is entitled to appoint a proxy to attend and to vote in his stead. A proxy need not be a member of the company. Holders of shares who wish to appoint a proxy to attend in person or by proxy or of voting at the meeting and at any adjournment thereof, are required to comply with the regulations of the company relating to share warrants. Copies of the regulations are available on application to the Head Office of the Company or to the Office of the London Secretaries.

By order of the Boards
JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED
Secretaries
or M. J. Meyer

Consolidated Building
Corner of Fox and Harrison Streets
Johannesburg 2000
31st March, 1980

Notice to Holders of
Citicorp Overseas Finance Corporation N.V.

£20,000,000 10% Sterling/U.S. dollar option
Guaranteed Bonds due 1993

NOTICE IS HEREBY GIVEN that pursuant to Paragraph 5 (c) of the Bonds, Citicorp Overseas Finance Corporation N.V. has purchased and surrendered to the Fiscal Agent, £200,000 aggregate principal amount of the subject bonds during the period ending March 15, 1980 in satisfaction of the Sinking Fund obligation. The principal amount outstanding at the end of such period is £18,400,000.

CITICORP OVERSEAS FINANCE CORPORATION N.V.
By Citibank, N.A., Fiscal Agent
April 1, 1980

GRANDES AN
5% U.S. DOLLAR BONDS 1985

S. G. WARBURG & CO. LTD., announce that, the redemption of the above bonds, for a nominal value of U.S.\$1,250,000, will be made in the market, on or before May 15, 1980.

U.S.\$1,250,000 nominal amount of the bonds will remain outstanding after 15 May, 1980.

30, Gresham Street, London EC2P 2EE. 1st April, 1980.

PRINCIPAL CORPORATION LIMITED
NOTICE IS HEREBY GIVEN that the principal amount of the Bonds of the above company will be £100,000,000 on or before May 15, 1980 (both dates inclusive).

By Order of the Board, ARTUR, P. E. MOODY, Secretary.

25 March, 1980.
142, Boulevard de la Woluwe, 1200 Brussels, Belgium.
The Fiscal Agent
CREDIT LYONNAIS-LUXEMBOURG.

UNION DES BANQUES ARABES ET FRANCAISES U.A.B.F.
LOAN OF US\$25,000,000—1977/1992 FLOATING RATE
Borrowers of this loan are hereby informed that the rate applicable to the loan of US\$25,000,000, entered into on the basis of 1941/35th covering the period from March 26, 1980, to September 22, 1980, inclusive.

Coupon No. 7 will be payable as from September 22, 1980, at the price of US\$99.99 equivalent to an interest rate of 10% worked out on the basis of 1941/35th covering the period from March 26, 1980, to September 22, 1980, inclusive.

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4A 3DF
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Tuesday April 1 1980

Lessons of the strike

AS A CAUTIONARY tale for unions and managements alike the steel strike, which is at last within sight of resolution, should be remembered for many years. It would be hard to find another dispute that was so badly mishandled by both sides and that did so much harm to achieve so little. Lord Lever's proposal for an 11 per cent national pay increase, supplemented by a minimum guarantee of 4 per cent to be earned from local productivity deals, is only 24 per cent more than the sum offered by the British Steel Corporation nearly two months ago, and carries the same conditions.

Blunders

In the seven weeks since that offer was made many steel workers will have lost wages of £700 or more, to secure an extra pay increase of around £150 a year. But the BSC management has no cause for satisfaction on this score. For it is widely believed that a mere 13 per cent increase would have been sufficient to settle the dispute, had this sum been on offer before the strike began.

An exhaustive list of each side's blunders over the past three months would have to be as lengthy as it would be depressing. Both management and unions have emerged with little credit from this strike and both must share the blame for the damage which their industry has sustained—estimated by the BSC as a 10 to 12 per cent loss of market share, half of which will probably not be recovered, as many of BSC's customers seek permanently the security of dual sourcing of their steel requirements.

The damage done to the rest of British industry has been more diffuse. At a time when high interest rates and the strength of sterling are squeezing the whole manufacturing sector and weakening its export performance, it will be difficult to isolate the effect of the steel strike in the industrial production and trade figures that emerge over the next few months. But the fact that these figures would in any case have been gloomy reading, only the additional pressure caused by the steel strike doubly unfortunate.

For this reason the Government, which is the one party to the dispute that could conceivably claim the outcome of the strike as a victory for its policies, can scarcely be satisfied with the length of time it has taken for its message to get across to the strikers. Nevertheless, there is a chance that

the nation as a whole may ultimately draw some benefit from the steel strike if workers and employers in both the public and private sectors show a willingness to learn some of the possible lessons.

From the Government's point of view, some important principles have been established. A nationalised industry has been forced to bargain over wages on the same basis as private employers: a pay settlement must ultimately be determined by an industry's ability to earn the money it requires in the market. The policy of rigid cash limits has many unsatisfactory features. It acts much more rigorously on some industries than on others. It reproduces only a very rough reflection of the financial pressures which act on private commercial companies.

Unrealistic

For employers there are some lessons to be drawn even from the BSC's generally unimpressive bargaining performance. The opening offer, which appeared to be 2 per cent, was both unrealistic and ineptly presented. To have given the impression that all the industry's mistakes would have to be visited on the workforce within the course of a single year, with massive redundancies and a large cut in real wages was little short of provocative. On the other hand, once the management revised its offer during the course of the strike in January, it stuck fairly closely to it. In the latter part of the strike, firm commitment to what was genuinely very near the "final offer" paid off, with a settlement that the industry should be able to afford.

But the most important lesson of the strike is addressed to the unions. In the present atmosphere of industrial crisis in Britain, many workers will find that productivity improvements provide the only hope for increasing or even maintaining their living standards. It was argument about the productivity conditions, as much as about the size of the total offer, which kept the steelworkers out of work for three months. Their attempts to win an offer with "no strings" was doomed to failure. The time is past when productivity could be regarded as an optional extra which could be negotiated on top of the standard cost of living pay awards. The ability of unions and management in the steel industry to turn productivity agreements into results will determine whether the steel strike marks a new beginning, or the beginning of the end.

Communism and low growth

THE LATEST UN Economic Commission for Europe survey of economic developments in Eastern Europe and the Soviet Union paints a gloomy picture of the communist economies. Average economic growth rates throughout this huge and still largely underdeveloped area declined to around 2.5 per cent last year. This means virtually no growth at all when converted into the conventional western methods of calculation. Part of the problem last year was the harsh climatic conditions which paralysed the transport system, overstrained the energy supply network last winter and then induced a drought over large areas of central and eastern Europe in early summer.

Price mechanism

But the problems facing Eastern Europe in the 1980s go far deeper than the transitory effects of a harsh winter, and this is now widely and openly recognised. It is part of the conventional wisdom in Eastern Europe that the restoration of faster economic growth depends on more efficient use of resources, greater productivity and a greater willingness to use the price mechanism as a means of allocating scarce resources with more rationality and efficiency.

Up to now, however, Eastern Europe has shown itself much less able to react quickly to changing economic circumstances than Western Europe and the capitalist world generally. This is mainly because of the stubborn rear-guard defence of ideologically sacred myths and sheer bureaucratic immobility.

One of the most stubbornly defended shibboleths used to be that which claimed that there could be neither inflation nor unemployment in a planned economy. In practice the centrally-planned economies enjoyed the doubtful benefit of formally fixed prices but suffered from queues, shortages, bottlenecks and feather-bedding on an enormous scale. The result has been lower living standards and the kind of black

market parallel economy which develops whenever officially imposed rigidities come into conflict with the basic desires of human beings.

But the problems go much deeper than that. Over the last decade the inefficient use of resources has brought the communist economies up against the physical limits to growth which would not have been reached for decades had their system been more efficient. This is particularly true in the energy sphere where the communist economies use twice or three times the amount of energy used in the West for a comparable output.

Now the margin for such inefficient use of resources has been drastically reduced. Even the Soviet Union, which under a more rational economic system ought by rights to count as one of the richest countries in the world, can no longer afford to waste resources on the colossal scale which it has done for the last 60 years. A major overhaul of the economic system is long overdue.

The first Communist country to accept the challenge was Yugoslavia over 15 years ago. It developed greater power to enterprises, introduced market mechanisms, insisted that companies should be profitable and set off on a path of rapid economic growth—accompanied by both inflation and unemployment.

Exhortation

Czechoslovakia also tried, but was forced to give up after 1968, leaving Hungary, quietly and persistently to carry the torch of economic reform. Last week the reform policy was endorsed again by the Congress.

THE ERA of mandatory current cost accounting for listed UK companies, and various other large enterprises, will begin next year. It is laid down in the Accounting Standards Committee's Statement of Standard Accounting Practice No. 16, published yesterday, that current cost figures must be produced for accounting periods beginning on or after January 1, 1980.

This means that effectively current cost accounts will start to appear on a universal basis during the reporting season for calendar year companies publishing their 1980 results during the spring of next year.

If companies decline to observe the new standard—and considerable controversy still persists in some quarters—their accounts will be qualified in respect of a failure to observe standard UK accounting principles.

Only supplementary current cost accounts need be provided under SSAP 16, with the main statutory accounts being drawn up under traditional historical cost accounting principles. The supplementary statements must consist of a current cost profit and loss account, and at least a summarised current cost balance sheet.

One of the more surprising features of SSAP 16, however, is that it does provide that if companies are really keen on current cost accounting they may move straight to the adoption of current cost principles for their statutory accounts.

Accountants and lawyers are agreed that current cost accounts will fully conform to statutory requirements, although it will still be necessary to disclose historical cost information. This need not take the form of detailed supplementary historical cost accounts, however. According to SSAP 16, companies adopting current cost principles for the main accounts need only provide sufficient additional information "to enable the user to ascertain the profit of the period under existing historical cost conventions."

Interminable debate

The publication of SSAP 16 marks the end of a long, turbulent struggle over inflation accounting which has embraced the worlds of accounting, business, politics and the capital markets. Even trade unions have on occasion been dragged into the interminable debate on what constitutes a proper measure of profit in a period of rising prices.

Early in the 1970s the accounting profession developed and almost implemented a standard based upon the adjustment of historical cost accounts for changes in the purchasing power of money. Then in 1973 the Government stepped in and set up the Sandilands Committee which in 1975 recommended a more radical system of current cost accounting.

Countdown to current cost accounting

BY BARRY RILEY



Mr. Tom Watts, chairman of the Accounting Standards Committee (right) and Mr. Douglas Morphet, vice-chairman, launching the new current cost standard SSAP 16 at the Institute of Chartered Accountants yesterday.

The first attempt of the ASC to implement current cost methods failed ignominiously in 1977 when the exposure draft ED 18 was withdrawn. But the ASC staged a rescue act later that year with the introduction of the voluntary Hyde Guidelines. There followed a new exposure draft ED 24, which was shorter and less elaborate than ED 18 but incorporated important refinements in areas like gearing and monetary working capital. Except for minor changes, ED 24 has survived to become SSAP 16.

With inflation climbing to a probable peak of rather more than 20 per cent on a year-on-year basis in the near future the arrival of mandatory current cost accounting is well timed. But by the same token, 1980 is going to be a year in which current cost results will often be sharply worse than the figures presented on the normal historical cost basis.

Figures produced by stockbrokers Phillips and Drew suggest that whereas average current cost pre-tax figures for large listed UK companies in 1979 are likely to have been about 36 per cent worse than the historical cost results, the equivalent reduction in 1980 is likely to be more like 40-45 per cent.

More starkly, the brokers suggest that dividend cover (earnings to dividends), which looks so handsome for many companies before adjustments for cost of sales and extra depreciation are taken into account, will be down on average to 1.1 times on the basis of current cost calculations.

Put another way, this means that almost half of major companies (excluding oils and financials) may not be able to cover an unchanged dividend fully in 1980 in terms of current cost earnings.

But the impact of current cost accounting varies widely between different companies and different sectors of indus-

try. The most vulnerable companies are those which employ large amounts of plant and equipment, and have big sums tied up in stocks and work in progress.

SSAP 16 is especially harsh to those companies which in any case achieve only a low historical cost return on capital. This is because the adjustments are related to the balance sheet rather than to the level of profits.

Pushed into losses

Consequently companies with a low level of historical cost profitability are often pushed into losses by the application of current cost principles. At the other extreme, highly profitable companies can absorb the adjustments with very little impact.

Service companies with little in the way of physical capital employed also tend to be little affected by the change. So do operations like supermarkets which gain extensive trade credit from suppliers and so effectively have very little tied up in net working capital.

The implications are clear in a list of stock market sectors drawn up by stockbrokers W. Greenwell. Worst affected are some of the manufacturing sectors like textiles, motors and distributors and metals and metal forming. At the other end of the scale the pre-tax profits of insurance brokers are only trimmed by about a tenth, and stores and food retailers are also relatively unscathed.

Many companies have already published current cost results on a voluntary basis, but it is not clear to what extent they are taken seriously either by management or shareholders. Recently, for instance, a number of manufacturing companies have been maintaining or increasing their dividends despite the grim trend indicated

by current cost earnings.

Companies and other entities like nationalised industries have also been able to be highly selective in their approach. Thus, BL has consistently refused to produce current cost data, though the profitable Ford UK has emphasised it strongly. The Big Four clearing banks have given great prominence to current cost figures this year, at a time when there has been criticism of the high level of their historical cost profits. Their current cost profits have turned out to be nearly two-fifths lower at the pre-tax level.

Among the nationalised industries, the British-Gas Corporation has enthusiastically embraced current cost accounting, adopting a version of it for the main accounts. British Gas is, of course, extremely profitable. Loss-making public corporations like British Steel, on the other hand, have been notably more reluctant to move in the same direction.

The new standard takes something of an initiative over nationalised industry reporting. It is accepted that no gearing adjustment need be made in their profit and loss accounts because of the special nature of their capital structures. On the other hand, it is required that net interest should be charged after taxation and extraordinary items. The argument is that interest in such cases is more in the nature of a distribution than a charge, and should therefore not be used to reduce pre-tax profits.

For companies, too, flexibility is reduced by the introduction of SSAP 16. They cannot pick and choose whether or not to publish current cost figures according to whether it suits them. On the other hand, comparability could begin to be eroded if many companies take advantage of the option to go over to current cost methods for the main accounts.

The role of the auditors in implementing SSAP 16 has not

PRE-TAX PROFITS—WINNERS AND LOSERS

Difference between SSAP 16 and published historical cost figures		Worst affected companies	
Least affected companies	% change		% change
ICL	+2	Carrington Virella	-189
GUS	-2	Johnson and Johnson	-144
Kwik Save Discount	-3	Firth Brown	-88
MFI	-5	Courtaulds	-78
Marks and Spencer	-6	Tube Investments	-76
Associated Dairies	-7	Ramsome Hoffman	-75
Blue Circle Industries	-8	Tate and Lyle	-70
Mothercare	-10	Associated Engineering	-70
		Westland	-70

Source: W. Greenwell and Co.

History of inflation accounting in the U.K.

Date	Event
1973, January	Accounting Standards Committee publishes ED 8 on current purchasing power method.
1973, July	Government sets up the Sandilands Committee.
1974, May	ASC publishes provisional standard PSSAP 7.
1975, September	Report of Sandilands Committee.
1976, December	Inflation Accounting Steering Group launches ED 18.
1977, June	Vote of members of Institute of Chartered Accountants rejects compulsory CCA.
1977, November	ASC proposes Hyde Guidelines.
1979, April	Publication of ED 24.
1980, March	Approval of new standard SSAP 16.

yet been finally decided. But they have a statutory duty to decide whether a company's main accounts give a "true and fair" view. What they will need to avoid is any suggestion that the two profit figures normally contained in the annual report both represent "true and fair" views.

The problem of how two different figures can both be right is one that has dogged the inflation accounting debate from the beginning. In the event, auditors appear to be moving towards a compromise whereby the main accounts (whether historical cost or current cost) will be assessed on a true and fair view basis, according to whichever principles have been applied, while the supplementary accounts will be examined and will be declared to have been "properly prepared."

It is now more than seven years since the first UK inflation accounting exposure draft was issued, and the delays have meant that the UK is not the first major country (outside South America) to develop a standard practice in this area. Ironically the United States, for so long a bastion of historical cost principles, got in first with the accounting standard FAS 33 which was published last September.

Reflection of power

The ability of the Americans to move fast reflects the powerful role of the Securities and Exchange Commission relative to the accounting profession. But FAS 33 is very much of the stop-gap production, embracing both general purchasing power and current cost principles. Moreover it applies only to the largest companies, those with

\$1bn of total assets or \$125m of stocks and fixed assets.

In the UK, members of the ASC hope that some of the arguments associated with inflation accounting will die down when the standard goes into operation. But they could prove optimistic in this, because it is a subject that can generate endless controversy.

Conflict of interests

This is because inflation adjustments make it necessary to go right to the heart of accounting theory. Traditional methods were established when the capital maintenance concept was tailored to the needs of shareholders. In modern conditions, however, the influence of the shareholder has declined and other interests, notably those of managers and employees, have come to the fore.

Traditionally, shareholders want a company to show a high profit in order to maximise dividends and the share price. But managers may well prefer a capital maintenance concept which generates a lower figure for profit, and may therefore reduce the demands of employees and the tax man. Internally, companies may require still different systems for performance measurement.

In all this, the problem of measurement has become mixed up with the problem of what it is that accounting is supposed to be measuring in the first place. So long as there continue to be shifts in the relationship between shareholders, managers, employees and the Government, the interaction will generate a spirited debate.

MEN AND MATTERS

Grade sets off TV time bomb

A brotherly squabble seems to be developing between Lords Grade and Delfont, who have US interests in common, but are rivals in Britain. "I do not consult my brother about my business," Lord Grade told me pointedly yesterday.

At issue is the decision of Grade's Associated Communications Corporation to release ACC films for TV transmission within three years of their first cinema release. This flies in the face of a recent decision by members of the Cinematograph Exhibitors' Association to delay TV transmissions for at least five years, an arrangement which, though much breached in practice, has been in force for the last 18 years.

Lord Delfont, chief executive of EML, says: "I wouldn't be against three years provided we get better value for the films from the TV companies. I have always said that they never pay us enough, though they are now paying respectable figures. I'm in an awkward situation. I don't want to go against our own association. I think my brother is gambling on the CEA changing its mind, and I would rather we arrived at an agreement on three years than have the whole system break down."

The CEA takes a more strident line. Following a meeting yesterday of its Films on TV committee, a high-powered delegation is seeking an audience with Lord Grade. "The greatest sufferers," says CEA director Bob Camplin, "will be the independent exhibitors."

Among these, one might suppose, are chains like Classic, which shows many second-time-round films, and happens to fall within Lord Grade's ACC empire. "Do you think I would be spending hundreds of millions of dollars on films and damaging my own interests," Lord Grade demanded of me. "Any decent film gets its money in the first two years," he went on. "Then it's just on the shelf and the producer gets nothing."

Grade sets off TV time bomb

Anyone can come and talk to him, he says, but he is not going to change his mind.

By following the example of France, and more particularly of the U.S. (where many films appear on TV within 18 months) Lord Grade says he will be fulfilling "my sole aim," namely giving employment to people in the film industry. Moreover, he insists, his initiative will limit the practice of filling television time with "84 repeats."

"Perhaps we should shout 'April Fool' and carry on with the strike?"

At the end of this month there will be what the Bank of England describes as a "quiet little ceremony" when Governor Gordon Richardson opens a smart new office block in the centre of Glasgow—the result of an ambitious redevelopment of the bank's Scottish branch.

Tenants wanted

The bank is not talking about the cost of the project—perhaps understandably, since for a few months at least there will be very little activity behind the glossy new facade.

Government's abrupt abolition of exchange controls

robbed the Glasgow office of its principal raison d'être since it was set up 40 years ago. Nearly two-thirds of its banking staff has had to be paid off or found other jobs in Threadneedle Street, and soon after the official opening the search will begin for a tenant for one of the three floors of the new block originally intended to house the newly-departed.

The bank is saved the embarrassment of having no work at all for the bureau by the fact that it had already announced plans to move its Scottish note issuing department from Newcastle to Glasgow. It will, however, be summer before that can be done.

Sweet truth

"Hell's teeth," said Ronald Aitken, "it almost made me look as though I had my hand in the till." He had just been reading a report of his departure from chartered accountants Binder Hamlyn which noted incidentally his role as special adviser to man of the moment, Nelson Bunker Hunt.

Speaking from his holiday hideaway in Cornwall, Aitken pointed out that his departure and the Hunt affair were totally unrelated. Hunt's involvement in the futures business was run very much by the man himself, while Aitken's association goes no further than providing advice on the frustration of Hunt's ambitions in Libyan oil activities.

Aitken gave up his Binder Hamlyn partnership because he felt his directorships (they numbered 72 at the last count) were no longer compatible with his interest in an audit-oriented firm, as he puts it.

His most pressing current interest lies far from the world of international accountancy, even further from the global affairs of Hunt—in his job as chairman of Barker and Dobson, where, as he says, "things are difficult at the moment. Nobody's eating boiled sweets."

Ledger merger

Daily movements in the price of hand-picked Alexandrian sennas pods or Quillandry cori may not be everyone's cup of tea, but they are meat and drink to that select band which daily scours The Public Ledger for word of swings in world commodity markets. From this morning, readers will also be able to keep in touch with the cost of shipping these and other less esoteric raw materials around the world, as a result of the merger of the matronly Ledger with its younger sister paper Daily Freight Register, which documents international tramp shipping.

Director Warwick Hardaker tells me the reason for the "marriage" was not circulation difficulties—even though the two together sold only 5,000 a day—but the good sense of merging editorial staffs of papers whose interests were tending increasingly to overlap. It must be said, however, that the ascendancy of Lloyd's List among shipping readers has not helped the Register bump its circulation beyond a lowly 1,500-odd.

As befits its age, going on 220 years, the Public Ledger's title remains on the masthead with little sister, born in 193, relegated to smaller type beneath. At least it has not gone the way of past Ledger acquisitions and been demoted to the small print on the back page along with Broomhall's Corn Trade News and Beerbohm's List.

In suspense

Still in the world of odd commodities, could I ask readers for help in tracing the origin of an admirable advertisement for the British hamp processing industry, found in a book of Turkish proverbs by my Ankara colleague. "If you are going to bang yourself," the saying goes, "use British rope."

Swindon's assets can open new doors for you

1983: FURTHER 350,000 SQFT SCHEDULED
1982: FURTHER 100,000 SQFT SCHEDULED
1981: FURTHER 100,000 SQFT SCHEDULED
1980: FURTHER 50,000 SQFT AVAILABLE
1979: 150,000 SQFT OFFICE SPACE LET

Swindon has over 100,000 sq. ft. of prestige office accommodation available for immediate occupation in units of 500 sq. ft. to 50,000 sq. ft. Further developments totalling over 600,000 sq. ft. are already in the pipeline.

You could wait until well into the 1980's for accommodation like this elsewhere.

And even then you'd be missing out on all the other benefits of a move to Swindon.

Like a wide range of commercial skills on tap. Key staff are guaranteed housing. Education and training facilities are among the best in the country. The quality of life is truly exceptional. Communications are second to none. Send for the Swindon Fact File. Decide for yourself whether anywhere else measures up.

SWINDON
Business opportunities unlimited.

Contact: The Industrial Adviser, Civic Offices, Swindon, SN1 2JH. Tel: (01935) 26161. Telex: 448335

IMMEDIATE OFFICE SPACE

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UK COMPANY NEWS

Booker McConnell edges ahead 1% at year end

AS ANTICIPATED at the interim stage, in the second six months of 1979 Booker McConnell recovered the marginal first-half profits shortfall of £0.30m, but with trading conditions more difficult than expected, the year's attributable pre-tax surplus emerged only 1 per cent ahead at £21.79m, compared with £21.58m.

External turnover of the international food, engineering and trading group reached £569.9m (£587.7m) for the year. Trading was affected by high interest rates, industrial strikes and the strength of sterling, and the engineering divisions profits fell by 36 per cent although the rest of the group increased its performance by 28 per cent.

Food distribution made an encouraging recovery and early in 1980 Kearley and Tonge was acquired which brings in another £150m of wholesale food sales.

A divisional breakdown of the attributable pre-tax profits shows (in £000s): engineering 5,883 (5,205), food distribution 4,328 (3,342), spirits and liquors 2,537 (2,286), health products and pharmacies 2,547 (2,194), overseas trading 1,346 (743), shipping 1,337 (1,225), agriculture 1,000 (1,034), authors 1,215 (915) and parent company 1,593 (968).

Mr. Michael Caine, the chair-

HIGHLIGHTS

Lex looks at the latest figures from Ocean Transport and Trading which has maintained its gross dividend and, stripping out the swings and roundabouts of ship sales, has produced profits £1.2m higher at £16.2m. Glynned has reported a 16 per cent rise in pre-tax profits to £18.7m thanks to a strong performance from copper tubing. On the mail order front the figures from Freemans reveal tough conditions with a drop in second half volume resulting in a 15 per cent slip in trading profits. Finally Lex comments on the new Current Cost Accounting standard, SSAP16, and discusses the changes which have taken place since the first draft was published and looks at the next area for development. On the inside pages Howard Tenens is making a cash call and there are six other companies that come in for comment.

man, says that although competition will be hard in 1980, the group's businesses have strong management and many operate in markets which will have real growth in the future.

After a much lower than expected tax charge, stated earnings per 50p share rose 13 per cent from 54.81p to 62.05p. A final dividend of 7.5p lifts the net total by 58 per cent to 12.5p (7.902p).

It is proposed to divide each ordinary 50p share into two shares of 25p each and then issue two new fully paid ordinary

25p shares for each existing 50p share held. The effect will be to quadruple the equity.

1979 1978
External turnover £68,805 587,575
Depreciation 7,888 6,237
Interest 3,874 1,485

Surplus on disposal 1,722 274
Profit before tax 25,008 24,509
Minority interests 3,219 2,520

Attrib. pre-tax profit 21,789 21,989
Taxation 2,406 4,539
Net profit 19,383 17,450

Prof. dividends 35 35
Earnings 19,418 17,485
Extraord. deficit 2,197 13,115

Available 17,221 28,140
Ord. dividends 3,502 2,479
To reserves 13,719 17,661

* Comprise £18,000 (£20,000) surplus on disposal of investments and property; £1,26m (£388,000) exchange deficit; £204,000 (nil) termination costs in respect of discontinued business; nil (£2.27m) surplus on realisation of Guyana assets; £15,000 deficit (£318,000) surplus on other items.

The Board is also proposing the extension until 1980 of the existing share option scheme for executives and the introduction of a SAYE share option scheme

● **comment**
Stripping out the £1.7m profit on property disposal, Booker's profits are slightly down in 1979.

Clearly the engineering division is to blame, although shortage of contracts is a factor as well as strikes. Net debt has risen sharply, from £10m to £37m, and must have increased further since the year-end with the £10m Kearley and Tonge acquisition and Booker's U.S. search for the perfect turkey. Although the company can probably claw back some cash from its swollen working capital, interest charges will be up in 1980, and there is a question mark over the food distribution business, as food price inflation is lagging behind costs. To compensate for this, the profits picture is a yield of nearly 8 per cent at 233p after the sharp hike in the final dividend—7.5p against a forecast of 6p—which suggests perhaps that Booker is thinking of using its paper.

Reed Executive grows 43% on buoyant trade

A CONTINUATION of the buoyant trading conditions enjoyed the year before pushed taxable profits of Reed Executive up 42.7 per cent from £1.81m to a record £2.61m. The surplus for the employment agency and drugstore operator in the second six months was more than doubled from £1.48m to £3.11m.

However, the company says that the economic pressures and uncertainties mean that this level of profit is unlikely to be maintained in the first half of the current year.

Turnover for the year which ended December 28, climbed from £22.02m to £31.97m.

Though the tax charge was ahead to £948,000 (£287,000) stated earnings per 10p share emerged 6.6p better at 21.08p. A net final of 3p effectively lifts the total dividend to 4.5p (3.35p).

Attributable profit reached £2.17m (£1.58m) after an extraordinary debit of £45,000 (£68,000 credit).

● **comment**
In spite of the relatively high levels of unemployment recruitment agencies are booming. In Reed's case, the company has turned in bumper results for the third successive year—profits are 75 per cent higher. An important

factor is that the company's outlets are concentrated in the south east where unemployment is considerably lower than elsewhere in the country. The group is continuing to incur small trading losses from the Medicare self-service drug stores but there is an indirect benefit in reducing the overall tax charge to just 30 per cent. This investment is already five years old and there is an urgency for it to start making a positive trading contribution given that the group is expecting the momentum from the employment agencies to start slowing down. At 85p, down 2p, the shares sell on a fully-taxed p/e of 5.7 while the yield is 7.3 per cent.

Macfarlane advances to £1.67m

TAXABLE PROFITS of packaging and printing concern, Macfarlane Group (Clansman) moved ahead 38 per cent from £1.21m to a record £1.67m for

1979, with £0.86m against £0.53m coming in the first half. Turnover for the year expanded from £13.27m to £15.89m.

Sales and profits in the early months of this year are similar to those for the same period of 1979.

Mr. N. S. Macfarlane, the chairman, says that 1979 was another excellent year for almost all companies within the group. Tight management and financial control was of major benefit and as a result it ended the year as a lender and not a borrower.

The chairman considers that the two sectors in which the company operates—whisky and computers—are well placed to weather the economic difficulties which will arise in the UK and overseas.

Earnings per 25p share are stated ahead from 8.43p to 12.33p and the dividend total is effectively increased by 25.5 per cent to 4.4p (3.4304p) net, with a final of 4p, one-for-four scrip issue is also proposed.

The year's profits included interest and short-term deposits of £66,239 (£5,200). Tax charge rose from £510,301 to £642,213 and the retained surplus emerged at £660,148, against £405,983.

Bryant Group overrides mortgage difficulties and passes £3.26m

PRE-TAX profits of Bryant Group, the West Midlands building contractor, civil engineer and property developer, increased from £2.69m to £3.26m in the six months to November 30, 1979. Turnover climbed from £31m to £44m.

The private housing activity has been very successful and made the major contribution to the profits. Despite difficulties with mortgages, sales continued to be good during recent months, but cost inflation and more stable prices may combine to reduce the margins achieved in the first half, states the chairman.

Property development maintained its momentum and further lettings have been successful concluded with a consequent addition to investment income. There will again be a substantial development surplus in the full year's accounts.

The difficulties in both building and civil engineering are well known, and these activities made only a small contribution to group profits.

Since the end of the half-year, the group has completed the one remaining contract in Saudi Arabia and achieved a better financial settlement than originally contemplated. As a result, they will be able to write back an exceptional credit amount in excess of £1m in this year's accounts.

With continued success in homes development and property activities a good second half is anticipated, thus achieving the forecast in the annual report of very satisfactory results.

The share of profits of associate companies in the first six months fell from £585,000 to £108,000. Tax charged for the group was up from £1,099p to £1,680m.

The interim dividend is increased from 1.0492p to 1.5p to reduce disparity—last year's total was 4p from pre-tax profits of £4.76m. Stated earnings per share are down from 7.52p to 7.78p.

● **comment**
After a hectic couple of years, 60p.

Howard Tenens to raise £1.4m by rights at 48p

A RIGHTS issue to raise about £1.4m is proposed by Howard Tenens Services, the distribution and engineering company which recently announced that bid talks for the company had broken down.

A total of 3.18m new ordinary shares are being offered on the basis of one-for-four at 48p.

The directors forecast pre-tax profits of £1.1m for the year ended March 31, 1980, against a loss of £0.26m, on sales of £26.2m (£39.5m). The intended dividend total is 2.28p (1.9022p).

They believe that trading prospects are good and an improvement in profitability should be achieved this year. They would hope to maintain the dividend on the new capital.

The proceeds will be used to pay for a warehouse, costing £1.2m, on a site in Andover, Hants, where the company has an agreement to lease 51 acres of land from the Test Valley Borough Council for 125 years.

Building of a 30,000 sq ft facility in progress and completion is planned for July. The directors have now commissioned a valuation of group properties. On the basis

of work to date, surveys believe that the valuation will not be less than £13.5m at March 31, 1980, a surplus of not less than £3.6m over book value a year earlier.

On acquisition issue, has been underwritten by Barclays Merchant Bank.

● **comment**
Howard Tenens' rights issue has been pitched in the knowledge that bid speculation had been an important element in the prevailing share price. That explains the 30 per cent discount which is some 10 points deeper than might otherwise have been the case. Then, again, the track record is very uninspiring and profits are only now beginning to see the benefit of loss elimination (Armstrong, incidentally, claims to have turned Willenhall round very quickly) although the forecast still assumes a demanding ex-rights p/e of 14.6 fully taxed and 10.6 after tax.

The directors are probably continuing to look at something more than the immediate trading prospects. Although the Worcester engineering offshoot probably needs further reorganisation, prospects for storage and distribution look reasonably bright and the Andover deal provides a sound base for geographical expansion. A proportion of the new site is to be included in the forthcoming revaluation to boost assets backing to at least 99p per share. That, together with the opportunity afforded by the rights to dilute any predatory shareholders, suggests that a defence is not being allowed to slip.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre. div.	Total last year	Total 1979
BBA Group	1.75	July 7	1.43*	2.63	2.19*
Booker McConnell	7.5	July 1	3.95	12.5	7.9
Bryant Group	1.51	May 30	1.05	—	4
Combined English	1.66	July 1	0.88*	3.15	1.81*
Dinkie Heel	0.25	July 1	0.36	0.5	0.5
Elecs	—	May 12	0.9	—	3
Emess Lighting	2.5	May 8	—	—	—
Federated Land	2.15	May 8	1.93	3.15	2.73
First Castle Sees.	0.72	July 21	0.6*	1.33	1.11*
Freemans	2	June 6	1.52	3.5	2.57*
Glynwed	6.7	July 3	6.7	8.15	9.15
House Property	3.5	June 4	2.1	4.5	2.1
Low and Bonar	9.5	June 2	8.16	14.13	12.53
Macfarlane (Clansman)	2.3	May 22	1.75*	4.4	3.43*
Stanley Miller	0.8	May 21	0.7	1.4	1.2
Newman-Tunks	1.85	May 23	1.5	—	4.66
Ocean Transport	4.6	June 2	4.39	8.29	8.38
Provincial Landries	0.43	July 1	0.27	0.87	0.43
Reed Executive	3	June 2	2.45*	4.5	3.36*
Rockware Group	4.32	—	3.67	6.55	5.9
Saga Holidays	2.78	April 30	2.5	—	7.5

Dividends shown pence per share unless otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Reduces disparity.

Freemans down after second half setback

SECOND HALF pre-tax profits of Freemans (London SW9), mail order, fell from £10.04m to £8.43m after a first half advance of almost £600,000 to £7.8m despite the combination of the lorry drivers' dispute and the bad weather in the early stages of the year. Profit for the year to January 26, 1980 was down from £17.25m to £16.23m before interest £707,000 against £602,000.

The second half advance in sales was only 11 per cent and well below expectations and this resulted in large write-downs of terminal stocks, says the chairman, Mr. A. Rampton. The company was affected by the rise in VAT and the generally poor fashion demand in the autumn.

Because of the poor stock availability in the second season, large stocks for the autumn/winter season were secured.

He says it is difficult to compare demand from the new catalogue against the disturbed early months of 1979, while many departments are producing encouraging results. There are, as yet, few signs of real improvement in most clothing and footwear ranges.

The Board is hopeful of a return to growth in pre-tax profits, although the first half will still be suffering from a reduction in gross margins by comparison with the similar period last year because of the VAT change.

The final dividend is raised from 15.195p to 2p making 3.5p (2.5695p adjusted). Stated earnings per 25p share are up from 14p to 17.5p.

Turnover for the year improved from £186.02m to £208.46m. See Lex

Federated Land at £1.1m

INCLUDING AN exceptional profit of £155,000 on the sale of undeveloped land, taxable profits of Federated Land and Building Company moved ahead to £1.1m for 1979, compared with £914,000. Turnover rose from £12.76m to £13.33m.

The directors hope that, providing economic conditions do not deteriorate further, profits for the current year should not be less than for 1979.

At the interim stage profits advanced to £548,000 (£420,000) including £77,000 surplus on sale of land—but directors warned of high interest charges at the year end having an impact on second half profits. In the event interest was up from £960,000 to £1.58m.

currently has contracts to build some 100 such homes.

The company's first development in France was completed in 1979, and a similar project, also in France, was started in January.

Ships sale lifts Ocean Transport

A TURNROUND of £8.43m to a £3.57m profit, on the disposal of ships, has helped Ocean Transport and Trading to pre-tax profits of £18.73m for 1979, compared with £10.14m. Turnover expanded from £48.5m to £55.2m.

Trading profit was ahead at £14.85m (£10.05m) but there was an increase in the interest charge of £4.59m to £16.67m.

Stated earnings per 25p share are 13.81p (2.94p loss), on a net basis, and 17.35p (1p) on a nil distribution basis. The dividend is stepped up to 8.5914p (£3.776p) with a final of 4.8p net.

The directors feel it is too early to give any firm indication of prospects for the current year, but they expect the group to recover further in 1980.

1979 1978
Turnover £54,196 48,500
Depreciation 22,572 21,561
Trading profit 14,845 10,045

Profit on ships disposal 3,567 4,487
Interest 16,672 12,061
Associates' share 17,823 17,044
Profit before tax 19,733 10,137
Tax 8,028 8,452
Tax profit 11,705 1,685

Exchange 24 32
Minority losses 521 11,471
Extraord. deficit 322 282
Attributable 15,209 2,241
Dividends 8,927 8,225
Retained 6,282 11,706

Trans. † Profits. ‡ Credit. § With-drawn.

M. J. H. Nightingale & Co. Limited

1979-80	High Low	Company	Price	Gross Div	Yield	P/E
99	85	Airsprung	65	—	8.7	10.3
50	28	Armstrong and Rhodes	28	—	3.8	13.1
255	185	Bardon Hill	200	—	13.6	5.4
100	80	County Care 10.7% PI	80	—	10.7	7.51
101	63	Deborah Ord.	98	—	5.0	5.1
103	88	Deborah Ord.	103	—	7.9	7.7
129	88	Frederick Parker	129	—	12.2	6.4
156	102	George Blair	105	—	18.5	15.7
153	113	Jackson Group	110	—	5.2	7.4
153	113	James Burroughs	110	—	7.2	6.2
200	242	Robert Jenkins	210	—	31.3	10.0
222	175	Torday	210	—	14.3	8.6
36	14	Twinlock	14	—	12.0	16.0
80	70	Twinlock 12% ULS	75	—	2.6	5.8
56	23	Unilock Holdings	48	—	0.8	10.0
49	49	Unilock Holdings New	48	—	4.4	10.4
96	42	Walter Aldender	88	—	4.4	6.4
190	136	W. S. Yeates	180	—	—	5.7

† Accounts prepared under provisions of SSAP 15.

NOTICE TO HOLDERS OF

MITSUI REAL ESTATE DEVELOPMENT CO. LTD. (MITSUI FUDOSAN KABUSHIKI KAISHA)

6 PER CENT CONVERTIBLE BONDS DUE 1982

Pursuant to Condition 3(c) of the Terms and Conditions under which the above Bonds were issued, notice is hereby given as follows:

1. The Company has made a free distribution of shares of its Common Stock to shareholders of record as of March 31, 1980 in Japan, at the rate of 1 new share for each 20 shares held.

2. Accordingly, the conversion price at which the Bonds may be converted into shares of Common Stock of the Company has been adjusted effective as of April 1, 1980, from Yen 474.40 per share of Common Stock to Yen 474.40 per share of Common Stock.

MITSUI REAL ESTATE DEVELOPMENT CO. LTD. By: The Bank of Tokyo Trust Company, Ltd. as Trustee

Dated: April 1, 1980

THIS ADVERTISEMENT IS ISSUED IN COMPLIANCE WITH THE REQUIREMENTS OF THE COUNCIL OF THE STOCK EXCHANGE. IT IS NOT AN INVITATION TO ANY PERSON TO SUBSCRIBE FOR OR PURCHASE ANY SECURITIES OF THE GIEVES GROUP (1980) LIMITED.

THE GIEVES GROUP (1980) LIMITED

(Incorporated under the Companies Acts 1948 to 1976)

Share Capital

Authorised	Issued and Fully Paid
£1,500,000	£1,74,758

Application has been made to the Council of The Stock Exchange for the 5,873,790 Ordinary Shares of 20p each to be admitted to the Official List. Particulars of the Company are available in the Statistical Service of Extel Services Limited and copies of these particulars may be obtained during usual Business hours on any weekday (except Saturdays or Bank Holidays) for the next fourteen days from:—

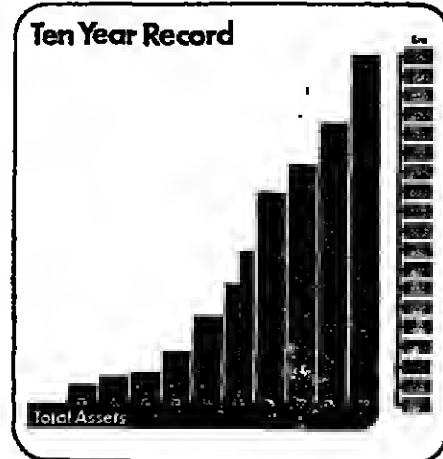
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87 Eaton Place
London SW1X 8DX

Fielding, Newson-Smith & Co
Garrard House, 31 Gresham Street
London EC2V 7DX

Further advance in all sectors

Extracts from the Statement by the Chairman, Sir Patrick Reilly, c.s.c.s. a.a.e.

1979 saw a radical change in the economic policies of the United Kingdom government. We also saw important changes in the framework within which banks operate. We wish these new policies success.



The total assets of our bank increased from £769,296,000 to £948,614,000, shareholders' funds from £33,526,000 to £39,404,000 and profits before tax from £4,016,000 to £5,749,000. Profits after tax have increased from £3,473,000 to £5,079,000. Our paid-up capital was increased by £5,000,000 and our reserves have increased to £15,409,000. Our issue in August of £75,000,000 in floating rate CDs was the largest such issue ever made on the London Market. We have substantially increased our customer base and have developed our business satisfactorily in all sectors. We are a leading member of the Foreign Exchange market and amongst our many other expanding activities our Commodities and Leasing departments have shown noteworthy progress.

Our Representatives in Birmingham, Edinburgh and Leeds have had another successful year.

We are proud that our new building has received the only Civic Trust Award in the City of London in 1979.

Banque Nationale de Paris Limited

Head Office: 8-13 King William Street, London EC4P 4LE. Tel: (01) 625 5678.

Knightsbridge: 60 Brimington Road, London SW3 1BW. Tel: (01) 589 4491.

Representative Offices: 21 Melville Street, 27 Park Row, 37 Waterloo Street, Edinburgh EH3 7PE. Leeds LS1 5GB. Birmingham B2 5TJ. Tel: (011) 226 5088. Tel: (0532) 443633. Tel: (021) 236 9735.

BNP Group Head Office: 16 Boulevard des Capucines, Paris 75009

Total Group assets as at 2nd January 1980 £42,000 million

Copies of the 1979 BNP Limited Annual Report and Accounts are available from the Company Secretary.

مكتبة النهر

UK COMPANY NEWS

£2.3m cut in CES profit

ABNORMALLY cold and wet weather in the first four months and the subsequent increase in VAT had an adverse effect on trading of Combined English Stores Group and pre-tax profits fell from £6.29m to £4.01m in the 52 weeks to January 26, 1980. The profit includes £1.03m against £782,000 from property disposals. A profit of £435,000 from an associated company and its subsidiaries was turned into a loss of £267,000. In the first half, group profits plunged from £1.69m to £401,000. The board says the income tax repayments did not have the beneficial effect that was anticipated. There was an improvement in trade at Christmas but the clearance of the excessive stocks that had resulted from the previous shortfall in sales, involved substantial reductions in margins in the men's and ladies' wear companies. Mr. Murray Gordon, the chairman, says that trading profits of Salisbury's, Collingwood the County Jewellers showed an increase over the previous year's record figures. But Harry Fenlon and Kendalls, the men's and ladies' wear chains, both incurred losses, compared with substantial profits previously. The companies that were acquired during the year all performed well, and contributed £474,000 to the group's pre-tax profits. The tax charge was sharply lower at £580,000 (£2.28m). There were extraordinary debits of £91,000 (£30,000) relating to the termination of the trading activities of subsidiaries, including amounts written off goodwill, less a surplus arising on the purchase of loan stock for cancellation.

As forecast at the time of the rights issue last June, the net total dividend is stepped up to 3.15p, with a final of 1.66p. Last year's total was 1.81025p, adjusted for the scrip issue. Dividends absorb £1.55m (£738,000), leaving a balance transferred to reserves of £1.67m (£2.44m). Stated earnings per share are down from 9.8p to 7.27p.

Turnover of the group, which has 650 specialist shops in the UK, West Germany and Holland, improved during the year from £71.01m to £89.66m. Group fixed assets totalled £13.9m (£9.91m) at the year-end, and net current assets amounted to £11.41m (£8.33m).

comment

CES's important retail fashion businesses were hit for six during 1979. No breakdown is given but Fenlon and Kendalls probably accounted for most, if not all, of the 36 per cent profits downturn which suggests that they incurred losses of around £1m—a turnaround of about £2.3m. While it has been a poor year for fashion generally, CES appears to have performed notably less well than others in the sector, a sentiment shared by the market generally as the share price has underperformed its competitors in recent months. Although there is asset backing of at least 57p per share, the shares are languishing at 33p, where the p/e on stated earnings is a lowly 4.3 while the yield is 14.4 per cent. The prospects are uncertain but new acquisitions should at least help towards a partial recovery this year.

Low & Bonar overcomes strike and exchange loss

AN 11-week strike in four packaging plants in Canada and exchange losses cost the Low and Bonar Group well over £1m in the year to November 30, 1979, but the group still managed to push up taxable profits from £8.86m to £9.02m.

Turnover of the packaging, engineering and textiles concern was unchanged at £142.82m. The directors say they are confident of the group's continued progress.

The net total dividend is raised from 12.525p to 14.1345p, with a final of 9.5p. Release of stock relief reduced the tax charge to £2.6m (£4.09m), and this helped increase stated earnings per 50p share to 49.34p against 35.22p. The exchange losses amounted to £626,000 (£445,000).

1978-79 1977-78

Sales	142,817	142,824
Profit	9,017	8,861
Profit before tax	9,017	8,861
Tax	2,594	4,082
Net profit	6,423	4,779
Minority	891	640
Extraordinary	119	768
Income	5,403	4,888
Prof. dividends	18	18
Ordinary dividends	1,623	1,356
Retained	3,764	3,326

comment

The effect of strikes and sterling appreciation on Canadian profits has been singled out for mention by Low and Bonar but these operations have increased their earnings contribution to almost 20 per cent from 18.7 per cent in 1978. The flat second half profits are mainly the result of problems in Africa, where the textiles division is concentrated, and in the UK. The domestic side was badly hit by the engineering strike and the high cost of borrowing. The group's strategy of increasing the proportion of profits generated in the UK has therefore suffered a slight setback—the figure is almost unchanged at 42 per cent. L and B is nonetheless continuing to spend heavily in the UK where, if the industrial climate permits, earnings should improve a little this year. At 174p, up 4p yesterday, the shares offer a p/e of only 3.3 on the low stated tax charge, but this rises to a more realistic 5.4 on a fully-taxed basis. The yield is 12.6 per cent.

convertible shares are expected to start on Monday.

Confidence at Emess: 2.5p interim

WITH THE order book remaining healthy and being well ahead of last year, the board of Emess Lighting is confident that profits for the year ending June 30, 1980, will not be less than the prospectus forecast.

Profits for 1979-80 were forecast at not less than £330,000, with £300,000 coming from the Emess group, and dividends at not less than 6p. The company was formerly known as Era Ring Mill; in January 1980 it completed the acquisition of First-square, changed its name to its present title and made a share placing.

The six months ended December 31, 1979, have produced turnover of £941,860 and a profit of £170,444. Tax is estimated at £36,155—on that basis earnings are 11.49p but becomes 7p on a notional 52 per cent charge. The interim dividend is 2.5p, as forecast.

L. C. EDWARDS

Shareholders of Louis C. Edwards have approved the acquisition of Morgan Edwards, the offer becoming unconditional in all respects, together with the cash offer.

The share offer remains open for acceptance until further notice.

Dealings in the new Louis Edwards ordinary shares and

J. E. SANGER

J. E. Sanger, the meat trading group, went into creditors' voluntary liquidation yesterday, the victim of trading difficulties in the home and foreign markets, high interest rates, and the costly collapse of Gilmore, the Smithfield trader.

The joint liquidators are Mr. William Ratford and Mr. Christopher Hayward, partners in Peat Marwick Mitchell.

BIDS AND DEALS

Dunham Mount's Norwest offer faces late problem

MR. TED BRIAN, former chief executive of Norwest Holdings, and a 25 per cent shareholder in Dunham Mount, the private company bidding for Norwest, has created a last-minute obstacle to the bid by petitioning for the winding up of Dunham Mount.

The move reflects the serious rift between Mr. Brian and the two majority shareholders in Dunham Mount, Mr. Raymond Slater and Mr. Arthur Lilley. Mr. Slater and Mr. Lilley, who controlled Norwest through their 75 per cent holding in Dunham Mount, dismissed Mr. Brian as chief executive of Norwest last September.

Mr. Brian is currently seeking damages for wrongful dismissal which Mr. Lilley and Mr. Slater intend to counter with claims for damages following substantial losses over transactions which occurred when Mr. Brian was chief executive.

Meanwhile, Dunham Mount, in which Mr. Brian is still a shareholder, having refused offers to buy him out, has been bidding through Wexcourt, a subsidiary, for the rest of Norwest which it did not already own.

The bid was due to expire yesterday and meetings were called of share and stockholders to approve it. As a result of Mr. Brian's petition, the meetings were adjourned and the Takeover Panel ruled that the bid should be extended to April 18.

A major complication arose from the fact that Dunham Mount was underwriting some 25% of the cash alternative to its own offer. The underwriting was negated by the winding up petition.

Last night Mr. Slater and Mr. Lilley issued a statement that alternative arrangements had now been made for the underwriting and that the bid would not, therefore, be jeopardised.

The two men also stressed that the grounds for the winding up petition, made under Section 222(1) of the Companies Act, underlining Dunham Mount's solvency and stability. The clause allows minority shareholders in companies to seek a distribution of assets of a going concern if there is no alternative to realising their investment.

A further complication arises over acceptances of Dunham Mount's offer. Last night Dunham Mount was claiming that it had received acceptances from shareholders owing 95 per cent of the outstanding equity.

The majority of these acceptances still stand. Mr. Slater claimed last night. The only doubt was over acceptances which had been received after the winding up petition was lodged on Friday. They would have to be "revalidated", he said.

Meanwhile, the cash offer closed as planned yesterday and the preference share alternative was extended until April 18 by when Dunham Mount believes "the matter will have been sorted out."

COMFORT HOTELS

Comfort Hotels International has arranged long-term loans of £3m for use this year to cut its short-term borrowings and overdrafts. At the end of February, total borrowings were £18.5m, of which £5.6m was repayable between one and two years and £3.1m within one year.

Mr. Harry Edwards, the chairman, disclosed the horrifying details in a letter to shareholders about the recent disposal of the Citybus franchise property in Copenhagen, which resulted in a capital loss of £1.4m.

He said the strength of sterling and relaxation of exchange control restrictions had led the group to repay further foreign exchange loans of around £1m. Borrowings would be further reduced by repayments of the Dkr 40m (£3.4m) sellers' mortgage received as part of the Citybus sale.

BIRMINGHAM MINT FORMS NEW COMPANY

Birmingham Mint has formed a new subsidiary, Birmingham Mint Pressings, in the last two years, Birmingham Mint's turnover in non-ferrous pressings has tripled to almost £1m.

The new company is being formed in recognition of the fact that pressings manufacture is now a major activity of Birmingham Mint Group, with important customers in the automotive, electronics and consumer appliance industries.

COURTAULDS

Following negotiations between Conran and Mr. Robert M. Etzel, provisional agreement has been reached whereby Mr. Etzel will incorporate a new company to be called Susan Small. This will acquire the Susan Small and Strelitz businesses of which Mr. Etzel is currently managing director from Courtaulds. The Susan Small and Strelitz are manufacturers of ladies' fashion outerwear.

Hoffnung defence attacked

Philip, the Australian conglomerate which is offering £15.9m or 80p cash per share for S. Hoffnung, has attacked on all fronts the detailed defence published in the middle of last month. It seems highly likely that a net loss will be revealed. Hoffmann shareholders are told.

The £350,000 provision against the G and M Power Plant subsidiary's slow-moving stock has been excluded from the forecast of £750,000 profit in 1979, and the tax charge has only been approximated. The £792,000 cost of the anticipated 4.5p net per share dividend may therefore have to be covered from reserves.

Burns also doubts the basis of such a transfer, particularly as the last audited accounts showed net borrowings in excess of £11m.

The existing use basis of asset revaluation to show net assets of £125p per share is also questioned. Properties valued at £3.1m are to be sold, surplus to requirements. If these properties are associated with the wholesaling operation, such sale may prove difficult and protracted, Burns adds.

Potential tax problems for Hoffmann shareholders may also arise on a transfer of domicile from the UK to Australia, as proposed.

Burns says: "It appears that the closing down of unprofitable parts of the wholesaling business would constitute an event of default under the trust deeds of Hoffmann's 12 per cent convertible loan stock. If there has been an event of default, it is in the trustee's power to require that the stock be repaid forthwith."

Also it is possible that there are cross-default clauses in other loan instruments within the group. The effects of these would be felt, whether or not the trustee calls for the repayment of the stock, other loans would become immediately repayable.

The position is far from clear, Burns comments.

Rescue bid for Barget

Barget, the troubled furniture manufacturer, yesterday announced a further slide into losses and a rescue from a Hong Kong company by way of a paid bid.

For the year to September 30, 1979, pre-tax losses increased to £900,000 compared with £245,401 in the previous year. As a result the Barget family has irrevocably agreed to procure acceptances for not less than 56.5 per cent of the company to a 12p cash offer from Tinox, a Hong Kong company controlled by Mr. Jose de Venecia.

The family already controls 43 per cent of the equity and a further 5.8 per cent is thought to be owned by the Imperial Tobacco pension fund.

The offer price compares with 11p in the market, struck when Barget's shares were suspended last May following a bid approach.

As part of the rescue by Tinox, which the board believes is in the interests of shareholders, there is to be a one-for-one rights issue at 25p underwritten by Credit Suisse First Boston. The partial offer has the consent of the Takeover Panel.

Cash injection planned for British Anzani

Negotiations are taking place for an unnamed public company to inject a very substantial amount of money into British Anzani, the High Court was told yesterday.

Mr. Eben Hamilton, for the group, told Mr. Justice Dillon that the injection would be sufficient to pay off the debts of all the British Anzani group companies.

By consent, the judge adjourned until April 29 a petition for the compulsory winding up of British Anzani presented by the Inland Revenue, creditor for £40,232.

The petition was supported by Connaught Property and Land, creditor for £250,000, and Chapman Taylor Partners, creditor for £25,495.

Anzani shares were suspended early in 1977 at 15p after major property losses.

Counsel for Connaught said it was uncertain whether the debt was owed by the parent company or a subsidiary.

A petition for the compulsory winding up of British Anzani Construction, presented by the Inland Revenue, creditor for £92,410, was also adjourned until April 29.

The petition was supported by six other creditors whose debts totalled £13,683. Another creditor, Arbutnot Factors, with a debt of £6,500, was given leave to be joined in support of the petition.

ICFC OFFSHOOT INVESTS £0.35M

TDC Developments, part of the Industrial Commercial Finance Corporation, is investing £350,000 in Alpha Microsystems, a nine-month-old computer company.

TDC is acquiring 25 per cent of the shares in Alpha Microsystems and providing additional working capital to finance the company's rapidly expanding home and export sales and service business.

The company has secured orders worth £2.9m for its business computers which cost between £10,000 and £100,000. Computers are made in the U.S. by the parent company while the British subsidiary markets the products throughout Europe.

PHOENIX MINING

Phoenix Mining and Finance has entered into preliminary negotiations with the board of Burrows Builders, a private company based in Ilkeston, Derbyshire. Burrows owns a portfolio of commercial investment properties and is engaged in local authority contracting and private house building.

Two directors of Phoenix, Mr. R. Brooks and Mr. J. A. Wilkinson, are also directors and principal shareholders of Burrows. Consequently, the independent advice of Henry Ansbacher has been sought.

TURNER & NEWALL REPORTS ON 1979

"A problem year... but recent investment and diversification are sources of strength in the years ahead."

from the Statement by the Chairman, Stephen Gibbs

Profits: down at home, up overseas

It was a problem year for T&N with low home demand, particularly in the automotive and construction industries, and general industrial unrest proving major factors in a fall in trading profits by £6.3m to £38.2m, and pre-tax profits by £12.2m to £27.5m. The trading profits of the UK companies fell by £7.4m to £17.9m.

Our trading profits from companies overseas increased by £1.0m to £24.6m, reflecting our continued policy of overseas expansion.

Zimbabwe Rhodesia

For the first time in 14 years we have access to our asbestos mines in Zimbabwe Rhodesia. In the interim, our mining company there has considerably increased its net asset value, whilst our manufacturing company has diversified into steel tubes and pipes, and automotive components.

New plant on stream

1979 was the year in which a number of our recent investments came on stream.

We completed our £18m Aycliffe PVC resin plant, further strengthening our position in the expanding plastics market.

Our new £8 million glass fibre insulation plant in the North East also started up.

Our policy of providing a worldwide network to service the automotive industry took a step forward with the opening of new automotive components factories in Smithville, Tennessee and in Ibadan, Nigeria.

Hunt, our specialty chemicals subsidiary, had a successful year marked by the completion of new plants in the USA and Belgium, both of which have now started production.

During the year, we invested a total of £16m at home, and £18m overseas.

Dividend maintained

Our total dividend for the year was 11.5p per £1 stock unit, the same as in 1978.

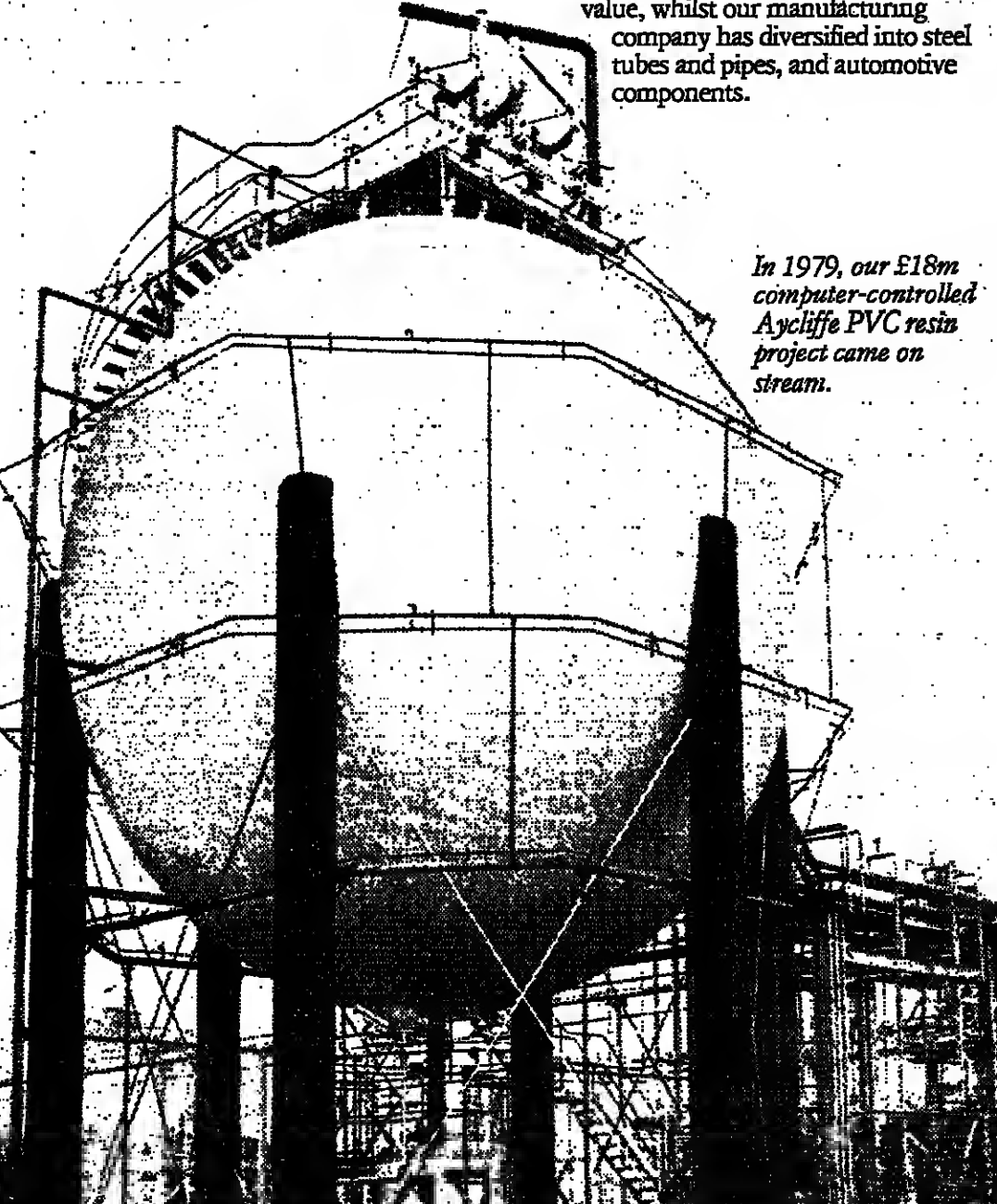
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Providing what the future needs

To: Public Relations Dept., Turner & Newall Limited, 20 St. Mary's Parsonage, Manchester M3 2NL. Please send me a copy of the Turner & Newall 1979 Report and Accounts.

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National Westminster Bank Limited has been appointed Registrar of

ECONOMIC FORESTRY HOLDINGS LIMITED

All documents for registration and correspondence should in future be sent to:

National Westminster Bank Limited
Registrar's Department
PO Box No 82
37 Broad Street
Bristol BS99 7NH

Telephone Bristol (STD Code 0272)
Registrar enquiries 290711
Other matters 297144

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UK COMPANY NEWS

BBA reaches £8m and expects rise this year

STRUCK AFTER finance charges increased from £1.6m to £2.32m, pre-tax profits of BBA Group, pre-tax profits of BBA Group, reached a record £8m for 1979, compared with the previous year's £7.56m. Sales advanced from £120.5m to £137.32m.

First-half profits had improved from £3.71m to £3.82m and the directors then forecast that the year's result would show a significant increase over 1978. They now say that with sales and profits for the first two months of the current year ahead of the same period last time, the full year profits will be higher than in 1979.

Earnings per 25p share are given at 9.32p (19.06p), while the dividend total is effectively raised from 2.193p to 2.63p net with a 6.1p of 1.79p.

Attributable profits for the year emerged up from £5.16m to £5.33m, after tax of £2.5m (£2.34m) and minorities. The UK tax charge of £8,000 (£244,000) was low due to allowances on capital expenditure, stock relief and a consortium release receipt.

1979 1978
Sales 137,316 120,456
Finance charges 2,318 1,604
Associates share 663 465
Profit before tax 8,001 7,564
Tax 2,291 2,338
Net profit 5,710 5,226
To minorities 189 64
Attributable 5,521 5,162

● comment

Only a few months ago profits of at least £8.5m were being forecast for BBA but the engineering strike took care of those hopes and the modest 8.6 per cent increase in second half profits left the shares 2p higher at 44p yesterday. The increase was partly prompted by an asset revaluation, worth around 19p per share, but it was also clear that the overseas companies were continuing to pull their weight. In the UK, however, the picture was far from bright. The comparable period was hit by around £750,000 to strike losses so, even without the engineering dispute, real earnings would probably have shown little growth. The minorities figure may leave the impression that Regina-Fibre-glass is now profitable but the swing is attributable to an £800,000 payment by BBA's

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are in the form of cash or in the form of shares or a combination of the two.

Company	Date
Interim—Charterhall, Ingall Industries, W. Tyndal, Sons and Turner, Fimble—American Trust, H. Brammer, Cape Industries, Dainton Brothers, Savoy Hotel, Sikolone Lubricants, Southampton, Isle of Wight and South of England Royal Mail Steam Packet, Unicorn Industries, Waco, Watts Alaska Seams.	
Future Dates	
C.L.R.P. Investment Trust	Apr. 2
Equity Income Trust	Apr. 15
Marionair International	Apr. 16
Final	
Associated	Apr. 10
Brooks Watson	Apr. 2
General and Commercial	Apr. 10
Investment Trust	Apr. 10
Hambro Life Assurance	Apr. 11

partner, made for tax purposes. Hopes of a return to profitability at Soves Marshall were also disappointed, though both these companies should be in black this year. Even so, the replacement market in the UK is dull enough to make prospects for the year fairly modest, reflected in the p/e of 4.5 on stated earnings. The yield of 8.9 per cent is covered almost 3½ times.

Closure losses hit Dunford and Elliott

Losses on realisation of the open die forging assets and redundancy costs incurred on the closure of this activity by Hadfields, resulted in an extraordinary loss of £3.3m for Dunford and Elliott, a subsidiary of Lombr.

Interest charges up from £2.24m to £2.73m contributed to a pre-tax loss of £144,000 in 1979 against profits of £1.82m the previous year.

There was a tax charge of £558,000 against a credit of £575,000, and minorities took £195,000 (nil).

Results of the company were severely affected by the transport and engineering strikes during the year. Rationalisation of Had-

fields has been completed and that company has now returned to profitability, although the first half of the current year will be affected by external disputes, most notably the steel strike.

Saga rise held to 4% so far

PRE-TAX PROFITS of Saga Holidays rose by 18 per cent to £1.15m in the half year to December 31, 1979, against £974,000 previously.

However, Mr. S. De Haan, chairman, points out that the comparison is distorted by the £133,000 exceptional loss last time relating to the TSS Atlas. If this is excluded, the rise is 4 per cent and reflects the restricted growth forecast in his last annual statement.

At that time, the chairman said bookings for the group's 1980 spring programme indicated a significant improvement. Since then there has been a significant drop in demand for holidays throughout the industry, he now says.

As a result, the expected growth is unlikely to materialise in the current year, although he believes the full-year results will not be unsatisfactory. Pre-tax profits amounted to £2.04m in 1978-79.

The small increase in half-year turnover to £11.85m (£11.54m) results mainly from a decision to restrict significantly the cruising programme during the period. The chairman says the decision has been justified because demand for this type of holiday has shown a marked reduction.

The market trend has also been away from overseas holidays, as expected, and only UK holidays showed significant growth during the period.

The net interim dividend is raised from 2.5p to 2.75p—last year's final was 5p. Earnings per 20p share are given as 9.22p, against 7.5p. Tax took £599,000 (£506,000).

The taxable surplus includes interest on deposits of £267,000 compared with £624,000.

Acceleration for Glynwed

A £2.53M RISE to £10.05m in the second half lifted taxable profits of Glynwed to a record £18.88m in 1979, compared with £18.08m previously, on sales ahead from £316.44m to £345.52m.

Mid-term profits were little changed at £8.64m (£8.46m). The directors said then that the full-year surplus would show some improvement over 1978, but they were cautious about the second-half outlook.

	1979	1978
Turnover	345,521	316,437
Trading profits	22,385	22,385
Interest	4,701	3,859
Profit before tax	18,684	18,526
Tax	5,550	4,222
Net profit	13,134	14,304
Minorities	468	51
Extraordinary debits	1,534	727
Available	11,131	10,526
Pre-tax dividends	2,720	2,720
Ordinary dividends	5,974	5,973

The trading surplus of the building and consumer products division rose from £6.46m to £9.01m in 1979, while the steel and engineering contribution was marginally higher at £7.39m (£6.99m). Overseas operations jumped from £1.26m to £3.74m.

However, stockholding and distribution profits slipped from £5.2m to £3.76m, and other divisions and trading companies incurred losses of £507,000, against profits of £104,000.

The net total dividend is held at 8.15p, with an unchanged final of 8.7p. Earnings per 25p share

are given as 19.29p (17.81p) basic, and as 18.87p (17.35p) fully diluted.

Tax took £5.55m, against £4.33m. The charge would have been £3.6m (£3.2m) higher without the benefit of accelerated capital allowances and stock appreciation relief.

See Lex

Granada makes a good start

PROFITS so far this year at Granada Group were running as budgeted, and above the same period last year, and the group was in good order, Mr. Alex Bernstein, the chairman, said at the annual meeting.

Advertising revenue in Granada Television had been very satisfactory and the company had recouped the revenue lost during the first four weeks of its current year due to the national industrial dispute.

The TV retail and rental market had been rather dull in recent months, but the number of new customers for TV sets and video recorders had been satisfactory.

Attock Petroleum just in profit at halfway

OIL and gas sales more than doubled from £17,000 to £351,000 for Attock Petroleum, and the group reports taxable profits of £20,000 for the six months ended December 31, 1979, compared with £123,000 losses previously.

Mr. A. P. de Boer, chairman, says that Attock's activities in its chosen area of operation continue to develop but, because of the size of the exploration programme and its attendant risks, "the board is not making a profit forecast at this stage."

However, he expects further progress by the year-end, and a loss for the whole of last year was £34,000.

Again there is no interim dividend—the last payment was 4.2p net in respect of 1978—and after tax of £23,000 (£27,000) there was a loss of £3,000 (£10,000), giving a 0.1p (4p) deficit per 20p share.

The tax charge arose because a loss to the U.S. after taking into account of exploration expenditure, could not be offset against income from deposits in the UK.

First-half net income from producing operations expanded from £14,000 to £92,000 and reflects a full six months production from interests in the Gulf of Mexico, Mr. Boer states.

Of the 15 U.S. wildcat wells referred to in his annual statement, the chairman says that seven have been drilled to date. Three of these were plugged and abandoned, and the others are awaiting completion and hook-up for production.

On the UK side, the onshore drilling in Sutherland of a well, in which Attock has a 20 per cent interest, will start in early May. The group has joined a consortium, consisting of substantial UK and North American companies, which intends to apply for licences in the next offshore licensing round.

Evaluation of the acreage in offshore Western Australia is continuing and a new seismic

programme will be conducted this month.

Mcramar, in which the group has a 10 per cent stake, holds the rights to the tailing dumps of the Wiluna goldmine, which are estimated to contain some 250,000 ounces of gold; methods for re-treatment of these dumps are under investigation, the chairman says.

There was an unrealised exchange loss of £43,000 (£122,000) for the first half, which has been dealt with through reserves.

● comment

It is not surprising or worrying that Attock Petroleum is just slightly in the black at the halfway stage. With a market capitalisation of £7.6m, this group is one of the smaller of the independent UK oil exploration companies and as such it recycles most production revenue back into discovery efforts. Attock's activities provide a microcosmic example of the business, which normally involves staying in loss and paying no dividends until the group hits the "big time."

The company is fortunate to have some production revenue (£92,000 in the first half six months) coming in from the Gulf of Mexico. This income has risen significantly along with oil prices and should continue to provide cash for exploration ventures in Australia, Texas and onshore in Scotland. Attock has a 20 per cent stake in the Sutherland drilling project in Scotland, if this is successful next month it could prove a useful holding.

Meanwhile, the company is also getting ready to participate in the Seventh Round of North Sea oil block licensing, along with several other eager UK independents. At year end, the company's heavy exploration costs may lead to the break-even point or small loss. The shares stood at 188p yesterday, unchanged.

Newman-Tonks ahead

FOLLOWING THE substantial profits increase from £1.81m to £3.06m in the last full year, Newman-Tonks Group, metal hardware maker, improved pre-tax surplus by 50.16m to £12.2m for the six months to March 31, 1980, on sales of £19.48m, against £14.35m.

Results for the second half are not expected to reflect last year's pattern, but they are anticipated to be in excess of those now reported.

On this basis, it is intended to pay a final dividend of 3.45p, making with the interim of 1.85p (1.5p) now recommended, a net total of 5.1p (4.65p).

The company's two most recent acquisitions, Econa and

Rothley Brass, have both traded well and satisfactory contributions to the year's profits are anticipated.

Newman-Tonks Engineering is suffering the effect of local government spending cuts and although market share is being maintained, its margins are being eroded.

Newman-Tonks Hardware has a reasonably buoyant order book largely due to new product lines. Modifications to new buildings acquired last year are not yet complete and no benefit of its move will be seen this year.

Tax for the six months took £583,000 (£500,000) and net profits rose from £462,000 to £538,000.

Improved second half fails to lift Rockware

DESPITE a second half increase from £3.47m to £3.98m, Rockware Group finished 1979 with taxable profits down from £7.02m to £5.18m. Turnover advanced to £143.3m against £108.42m.

The directors say that given reasonable industrial relations and without national stoppages, they expect the current year's performance to improve greatly over 1979.

There will be benefits in the current year, they say, from economies taken in 1979, many of which will strengthen the glass division—profits fell from £5.97m to £5.92m before interest.

And the packaging base of the group has been significantly broadened.

Mr. Jim Craigie, chairman, says that the biggest single impact on results was the road haulage strike which cost the glass sector £3m in profits. And there was an exceptional debit of £1.05m (£240,000), being redundancy payments.

About half of this write-off related to some 400 redundancies taking effect this year in the glass division, and more cutbacks are likely in the future, Mr. Craigie states.

Interest charges jumped by £1.68m to £2.76m. Because of the engineering dispute last year and as a result of excessive cost of developing new products, there were severe losses at Rockware Kingspeed, on the engineering side, up from £160,000 to £231,000. But there has been a substantial reorganisation of this business, and the chairman says it has returned to profits in the first two months of 1980.

The plastics division was significantly expanded in 1979, profits jumped from £28,000 to £231,000. Alpha Packaging and two new acquisitions making excellent contributions.

Last August the group acquired five plastics bottle manufacturing businesses in Australia, Spain, Holland, Belgium and the UK.

Stated earnings per 25p share are 20.2p compared with 27.55p and the dividend is 6.85p (5.69p) net with a final payment of 4.32p.

● comment

In spite of the decline in the pre-tax level, Rockware's performance looks rather encouraging for the current year. The share price moved up 2p yesterday to 91p. Operating profits have risen by about 30 per cent for glass in the second half, and once the £3m profits lost in the first half are taken into account, there has been a significant improvement

in underlying margins over the year. Even though prices were raised by 16 per cent, glass volume was held in a stagnant market with competitors taking the brunt of further impact on the market by imports.

The acquisitions in the plastics division justified the increased interest charges to finance them, while the engineering division has been in the black for the first two months of 1980 and is expected to remain so for the rest of the year. Pre-tax profits for the current year could be in the region of £9m, for a prospective p/e of about 4½, fully taxed. The historic yield is about 11 per cent.

The new members—all insurance companies—are Alte Leipziger Versicherung AG, Oberursel, Germany; Asia Insurance Company, Hong Kong; Elkhorn Insurance Company, New York; Korean Reinsurance Company, Seoul, Korea; Pennsylvania Manufacturers Association Insurance Company, Philadelphia; the Pohjola Group, Helsinki, Finland, and Malayan Insurance Group, Manila, Philippines.

The syndicate—called Maiden Lane Syndicate and funded with initial capital of U.S.\$6.7m—is managed by Continental Reed Stenhouse Management Company, 50 per cent owned by Continental Insurance Company, New York, and 50 per cent owned by Stenhouse Companies, Toronto.

The other members who are participating on the syndicate are: Continental Insurance Company, New York; La Preservatrice SA, Paris; Phoenix Assurance Company, New York, and Toro Assicurazioni SPA, Turin.

Mr. V. Lee Barnes, president of CRSMC said yesterday that he anticipated that other insurance companies around the world will be attracted to the New York Insurance Exchange, which opened yesterday, "as a convenient and attractive way of entering the U.S. market."

WITH second-half profitability marginally higher than in the same period of 1978, Stanley Miller Holdings, building contractor and civil engineer, improved 1979 pre-tax profits from £190,083 to £263,465, on turnover of £12.97m against £12.63m. In the first six months, taxable surplus had risen by £87,047 to £298,486.

The year's profits included an associate's share of £91,076 against £37,860. There was a tax charge of £102,193 (£114,000 credit) and after minorities, attributable surplus emerged down from £300,117 to £165,186.

Earnings per 10p share are shown lower at 2.75p (3p), but the dividend total is raised to 1.4p (1.2p) net, with a final of 0.8p.

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Stenhouse strengthens U.S. links

By John Moore

Stenhouse Holdings, the international insurance and reinsurance broking group with large Lloyd's of London interests, is reinforcing its links with the New York Insurance Exchange, America's answer to Lloyd's.

Reed Stenhouse Companies, the Canadian group in which Stenhouse owns 53.76 per cent of the equity, together with Continental Corporation, one of the largest U.S. based insurance and financial services companies

which holds 20 per cent of Stenhouse, have introduced seven additional insurance companies to their jointly managed syndicate on the new exchange.

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Western Arcas Gold Mining Company Limited

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To the Holders of

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Guaranteed Floating Rate Loan Notes 1980

In accordance with the provisions of the above Notes, Irving Trust Company, as Fiscal Agent, has determined the Rate of Interest payable with respect to Coupon No. 20 on Monday, September 30, 1980 to be Twenty and One-quarter per cent (20 1/4%) per annum.

Irving Trust Company,
Fiscal Agent

April 1, 1980

MINING NEWS

W. Areas should again do well

BY KENNETH MARSTON, MINING EDITOR

A PARTICULARLY important aspect of high gold prices to the South African gold mining industry has been the opportunity offered to work lower grade ore on a profitable basis and thus extend the lives of the mines. At the same time, large scale working of such ores plays an important role in keeping costs to manageable proportions.

A good example of a large mine making good profits by working low grade gold ore is the Johannesburg Consolidated group's Western Areas. Unlike a high grade mine such as West Driefontein, which can produce gold at a cost equivalent to a little over \$65 per ounce, Western Areas now needs a gold price of \$300 to break even at a milling grade of 4 grammes gold per tonne of ore, or \$280 if the recovery is 5 grammes; profit more than doubled last year when the price averaged \$316 and the recovery grade was 3.3 grammes. At the same time, a price of \$375 means a substantial increase in Western Areas' reserves of payable ore. In addition, the mine has a valuable uranium by-product and has recently announced a long term uranium sales contract which carries an interest-free loan of \$30m (£17m) to help finance production facilities.

In his latest statement with the 1979 annual report the chairman, Mr. P. A. von Wielligh, regards 1980 "with some degree of optimism," in the light of the current level of the gold price which was \$304 yesterday. The annual report of Randfontein Estates says that no single acceptable explanation has emerged for the fact that current evaluations of uranium ore reserves in the old original workings fell far short of the earlier assessments. But it is reckoned that reserves on the Randfontein reef are sufficient to maintain the current rate of production from this section for at least four years.

At the Cooke section—which is in effect a new mine—gold recoveries at the new treatment plant are now regarded as satisfactory while improved recoveries of uranium are expected this year. Last month Randfontein announced that it was to con-

struct a \$200m shaft in the Cooke section. Full-scale shaft sinking is to start early next year and the shaft is expected to be operational in 1983. It will thus be available to expand production against a decline in that from the old Randfontein section.

FRANCO-KOREAN URANIUM PLAN

An expansion of Gabonese uranium output was forecasted yesterday when the South Korean state utility, Korea Electric, said it would take part in a uranium mining joint venture in the Lordeyong region of Gabon with Cogema of France. Over four and a half years, Korea Electric will put up FR 43m (£24.65m) and will gain a 41 per cent stake in the venture.

Cogema will hold 49 per cent of the equity. The balance of 10 per cent will be held by the Government of Gabon.

ROUND-UP

LKAB, the Swedish state-owned group, has received orders for 1m tonnes of iron ore pellets a year for five years from Usinor, the French steel group, and for 400,000 tonnes a year for three years from Hamburg Stahlwerke, the German steel group. The orders are worth SKr 830m (£85.95m), said a spokesman for LKAB.

Ore reserves at the Midwest Lake uranium property in Saskatchewan held by Imperial Oil (50 per cent) and Numac Oil and Gas and Bow Valley Industries (25 per cent each) are now put at 2m tonnes, grading 1.25 per cent uranium. Mine design work is under way. Meanwhile Imperial is re-opening the Granduc copper mine in British Columbia and working on molybdenum and copper-zinc properties in the province.

A delegation from the Japanese Federation of Economic Organisations (Keidanren) is to visit Australia next month for talks on participation in Australian coal mining projects.

Mooloya Invs. forced into liquidation

Mooloya Investments, owner of the Customagic stretch cover company, has been compulsorily wound up following the failure of attempts to restore its liquidity.

Mr. Justice Dillon made the order on an unopposed petition by Chartered Bank, creditor for £70,192 for professional fees and expenses.

Mr. Robin Potts, for the petitioner, said it was supported by Law Debenture Corporation, creditor for £202,792, the principal sum due for 12 per cent partly convertible unsecured loan stock 1986-88. Mooloya was substantially in breach of the loan stock trust deed and Law Debenture, as trustee, had declared the stock repayable.

The Stock Exchange is currently investigating Mooloya share dealings for the past year or so. The company incurred a loss of £332,000 in the half-year to April 30, 1979.

The petition was also supported by Mooloya's former solicitors, Edmonds Bowen and Company, creditor for £22,881 for professional fees. Mooloya was not represented.

Two Camrex directors resign

The boardroom row at Camrex, the Sunderland-based paints and contracting group, was confirmed yesterday with the news that two directors, including the chief executive, have resigned.

The company said that the two men's decisions to leave was caused by "differences of personality and medium-term policy." Their replacements have yet to be chosen, said Mr. Roger Wake, the chairman.

The resigning directors are Mr. John Witter, the chief executive, and Mr. Peter Dillon, finance director. The problems, exacerbated by their strong personalities, arose mainly over the implementation and speed of changes already decided on the contracting side.

Gieves Group reconstruction

Proposals for the reconstruction of the Gieves Group have become effective and former ordinary holders of Gieves Group have now become shareholders in Gieves Group (1980).

The Gieves Group (1980) has been admitted to the official list and dealings are expected to begin today.

Gieves' present expectation is that, in the absence of unforeseen circumstances, it will be able to recommend dividends totalling not less than 2p per share, absorbing £117,476 net for the year to January 31, 1981. An interim will be considered in November.

Former shareholders of Gieves Group have, as a result of the reconstruction, also become shareholders in James Burn (Holdings). The cash offer for the shares in that company which is to be made on behalf of Standex International is expected to be posted to shareholders today.

APPOINTMENTS

FX DEALING

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Leading merchant bank wish to strengthen their comprehensive trading room by appointing an experienced senior FX Dealer to concentrate on a dollar D-mark book and build a reputation in the London market. Excellent conditions include car.

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£10,000
Manufacturing company based in Hertfordshire offer a challenging post for a qualified accountant to reorganise the accounting function within two subsidiaries. Five years industrial experience and knowledge of debits and credits essential. For further details contact: Miles Richards on 01-828 8055. Abford House 15 Wilton Road SW1

828 8055

Hodge Recruitment

PENSIONS ACCOUNTANT

£9,000
Excellent opportunity for a young qualified accountant with a knowledge of pension legislation and experience in the West End of the City. For further details contact: Miles Richards on 01-828 8055. Abford House 15 Wilton Road SW1

828 8055

WANTED

TECHNICAL SALES MANAGER, 10 years experience in advisory and sales capacity for chemical, pharmaceutical and engineering products of a high tech. level, is sought for a firm involved in expansion into German-speaking area. J. Schmitz, 62-64 Farnham, Letchworth, Herts.

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The Company: A Knightsbridge based investment advisory service covering an exceptionally broad range of international investment media.

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The Applicant: Preferably in the 25-30 age group, should be motivated, bright and show a high degree of personal initiative. A few years experience in the bond trading or portfolio management would be desirable.

Working environment, salary and fringe benefits are unusually attractive.

Please write in confidence, enclosing a hand written c.v. to:

The General Manager, ITB Services Limited
2 Albert Gate, London, SW1

INVESTORS CHRONICLE SURVEYS

A journalist is required to join a small team responsible for producing some 30 surveys and supplements each year for the Investors Chronicle.

The surveys cover a wide range of subjects and countries. We are looking for a journalist with proven writing skills, ideas to contribute and the ability to handle a survey from drawing up the synopsis, commissioning articles (as well as writing some of them), editing and preparing lay-outs to the final pressing of pages.

This is a responsible position on an important financial magazine and offers the successful candidate the opportunity to work with a team which aims to maintain high standards of accuracy and features presentation.

Applicants should apply to:

David Webster, Associate Editor
INVESTORS CHRONICLE
Greystoke Place
Fetter Lane, London, EC4

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Required by leading manufacturer to manage its industrial sales division. Candidate must be experienced in marketing of products to the building industry, capable of organising and directing national sales programme to architects, builders and specifiers. This is a top management position with unlimited opportunities and commensurate salary.

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Located in North London, our client is a long-established and successful import and distribution business with a current turnover of £20m and who have a requirement to recruit a successor to their present Company Secretary due to retire in the late summer. Reporting to the M.D., the successful candidate, who will be a Chartered Accountant aged 40/45 with a proven record of achievement to date in industry/commercial companies, will in addition to his/her secretarial duties be responsible for the total accounting function.

Please write giving full details of career to date to:
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BOX 433 MOORGATE PLACE, LONDON EC2P 2BJ

ACCOUNTANT

who should have the following make-up:

1. Be a sportsman or woman;
2. Be a potential candidate for future directorship;
3. Be capable of working under considerable pressure, and of handling staff;
4. Above all be prepared to immerse yourself fully in furthering the Company's development. For this some commercial experience will be very helpful.

Why not make an initial enquiry as to whether this could be the break you have been looking for. Age immaterial. Only qualified people need apply, however.

Write to: A. Reynolds, Esq., INTER-FOOTWEAR LTD.,
20-22 Towner Road, Sharnbrook, Essex.

OIL COMPANY OF MALAWI (1978) LIMITED Chief Accountant

We are the principal oil company in Malawi and we market a comprehensive range of petroleum products throughout the country. We have an immediate vacancy for a Chief Accountant in our head office in Blantyre.

We are looking for a qualified accountant, aged 28-32, who would like to settle with his family in this attractive country for a few years. We offer an initial three year contract, but we would hope to extend this further as we expect our Chief Accountant to have management potential to eventually take over the job of Administration Manager.

There are excellent facilities in Blantyre for family life - good housing, schools, recreational and other facilities. The salary is negotiable, but would be in the region of \$21,000 (payable in the local currency), plus a generous gratuity on termination of contract.

If you have the right qualifications and like the sound of living and working in Malawi reply with details of your experience to: Ivan Camm, Mathers and Bensons Advertising Limited, Dept. (FT), Chancery House, Chancery Lane, London WC2A 1QU, who is acting on our behalf.

David Grove Associates

Bank Executive Recruitment

60 Cheapside London EC2V 6AX

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CREDIT ANALYST

A leading European bank of multinational dimension requires a Credit Analyst to join the existing team of analysts at its U.K. offices in London.

The ideal candidate will be well educated and have at least three years' experience of in-depth balance sheet analysis and risk evaluation. A knowledge of French would be an advantage but a high standard of written expression in English or French is essential. Responsibilities include the writing of detailed credit proposals on a wide range of companies involving greatly varied banking operations. Salary will be attractive, negotiable according to age and experience, together with excellent benefits.

NIGERIAN PORTS AUTHORITY

26/28 MARINA LAGOS

VACANCIES

Applications are invited from suitably qualified candidates for the posts listed below in the Hydrographic Section of the Harbours Department of Nigerian Ports Authority:

- (i) Senior Hydrographic Surveyor
- (ii) Hydrographic Surveyor Grade I
- (iii) Hydrographic Surveyor Grade II
- (iv) Pupil Hydrographic Surveyor Grade II

QUALIFICATIONS AND EXPERIENCE

- (i) B.Sc. Surveying; B.Sc. Mathematics; B.Sc. Geography; B.Sc. Physics; Institute of Chartered Surveyors or its equivalent. Diploma in Hydrographic Surveying; Master Marine Certificate of Competency (F.C.) with at least 4 years working experience in Hydrographic Surveying.
- (ii) The same qualification as in (i) above but with at least 3 years working experience in Hydrographic Surveying.
- (iii) The same qualification as in (i) above but with at least 1 year working experience in Hydrographic Surveying.
- (iv) The same qualification as in (i) above but with no working experience required.

SALARY

- (i) G.L. 10: N5,760 x 162—N6,732
- (ii) G.L. 09: N4,668 x 162—N5,640
- (iii) G.L. 08: N3,564 x 150—N4,464
- (iv) G.L. 08: N3,564 x 150—N4,464

METHOD OF APPLICATION

Application forms are obtainable from the Controller of Administration, Nigerian Ports Authority, 26/28 Marina, Lagos and from the Port Manager, Nigerian Ports Authority, Port Harcourt, Warri and Calabar.

Applicants from Overseas should ask for application forms from Nigerian Ports Authority London Office, 376/379 Strand, London WC2.

Completed application forms with photo copies of Credentials and two recent passport photographs duly signed at the back by the applicant should reach the Controller of Administration, 26/28 Marina, Lagos, not later than thirty days from the date of this publication.

(M. A. Gaukoya)

Ag. Secretary to the Authority

N.P.A. NOTICE No. 3227
dated 13th February, 1980

THE INTERNATIONAL ATOMIC ENERGY AGENCY, SEEKS



PURCHASING OFFICER

with University education in Commerce or Business Administration or equivalent experience. At least ten years' experience in preparation of specifications and the evaluation of tender bids for technical equipment and other supplies. Fluency in English and German essential, French an advantage.

Initial contract for two years: tax-free emoluments between U.S.\$35,000 and U.S.\$41,300 p.a. depending upon experience. Additional allowances for dependants. Travel and removal expenses paid. Six weeks' annual leave.

Send curriculum vitae under Vacancy Notice 24a/80 to:

Division of Personnel

INTERNATIONAL ATOMIC ENERGY AGENCY

Wagramstrasse 5, P.O. Box 100, A-1400 Vienna, Austria

freemans

Mail Order

Preliminary results for the 52 weeks ended 26 January 1980

£000's	52 weeks ended 26 January 1980	52 weeks ended 27 January 1979
Turnover	231,248	200,232
VAT	22,791	14,216
	208,457	186,016
Profit before taxation	15,521	16,747
Profit after taxation	12,431	9,677 (adjusted)

● **DIVIDEND** A final dividend of 2p per share is proposed, bringing the total dividends in respect of the year to 3.5p per share (2.5695p last year).

● **RESULTS** In the first 28 weeks sales excluding VAT advanced by 1.9%, having been seriously affected by the lorry drivers' dispute which stranded many of our incoming catalogues and goods in depots and ports. Sales in the last 24 weeks advanced by only 1.1%, which was well below expectations. They were affected by the sharp rise in VAT (eighty-five per cent of our catalogue goods attract the standard rate which jumped from 8% to 15% in June) and the generally poor fashion demand in the autumn. Because of the poor stock availability in the first season, we secured larger stocks for the autumn/winter season. In the event, sales volume was below expectations and this resulted in large write-downs of terminal stocks and meant that costs generally rose out of proportion to sales.

● **PROFIT AFTER TAXATION** benefited from an exceptionally low tax charge arising from the application this year of SSAP 15 to stock appreciation relief. This reduced the tax charge by £4.7m. (last year adjusted to a comparable basis: £1.8m).

● **PROSPECTS** It is difficult to compare demand from the new catalogue against the disturbed early months of 1979. While many departments are producing encouraging results, there are as yet few signs of real improvement in most clothing and footwear ranges. The number of active agents at the end of the year was 490,000 (1979—475,000), an increase of 3.2%. The climate for consumer spending this year is hardly encouraging, but it is at least likely that inflation and interest rates will fall later this year. We are hopeful of a return to a growth in pre-tax profits, although the first half will still be suffering from a reduction in gross margins by comparison with the similar period last year because of the VAT change.

Copies of the Annual Report and Accounts, when published, will be available from the Company Secretary (01-735 7644)

Freemans (London) Ltd. 139 Clapham Road London SW9 0HR

Companies and Markets

INTERNATIONAL COMPANIES and FINANCE

NORTH AMERICAN NEWS

Petro-Canada may buy Come-By-Chance refinery

By Robert Gibbins in Montreal

PETRO-CANADA, the Canadian national oil company, has taken an option to buy the mothballed Come-By-Chance oil refinery in Newfoundland, which has a daily capacity of 100,000 barrels, with the possibility of processing future crude from Mexico and the offshore Hibernia field there. The option was negotiated with Peat Marwick, trustee for the refinery, and with the UK Export Credits Guarantee Department, one of the preferred creditors.

The refinery was built in the early 1970s by Mr. John Shaheen, a New York financier. About three years ago, two Shaheen companies operating the refinery were put into bankruptcy with debts estimated at \$600m, and mothballing followed. Major litigation is outstanding, and would have to be cleared before Petro-Canada is likely to take up its option.

Petro-Canada will evaluate the refinery's present condition

—British Petroleum engineers supervised the shutdown and mothballing—and also whether further upgrading of equipment would be needed for it to reach 100,000 barrels daily capacity. It will pay half the present maintenance costs for six months (likely to be nearly \$300,000).

The most recent serious bid for the refinery, from First Arabian Corporation, headed by the Tamraz interests, was not accepted by the court-appointed receiver.

If Petro-Canada takes up the option, it would pay between \$30m and \$35m as a down-payment, plus additional sums when the refinery re-starts. Preferred creditors would be paid off gradually through an agreed amount per barrel of crude processed. Newfoundland would get a 10 per cent stake in Petro-Canada gets the refinery operating within three years.

Petro-Canada has a 25 per cent interest in the Hibernia oil

field nearly 200 miles east of St. John's, Newfoundland. Other interests are owned by Gulf Canada, Mobil Canada, Chevron Standard (Socol) and Columbia Gas Development of Canada. Industry estimates say oil will be flowing in commercial quantities from Hibernia by 1986. A second step-out well is now under way. A separate structure called Ben Nevis, 25 miles away, is also believed to be commercial.

Petro-Canada engineers are due at the refinery this month, and work could start on re-opening the refinery in the spring of 1981. The job of re-starting and upgrading equipment could take two years. Some of the equipment never functioned to design standards, and is subject to claims running into tens of millions of dollars. It is estimated within the industry that it would take around \$100m to get the refinery back into operation, upgrade equipment and reach 100,000 barrels daily throughput.

Envirodyne files for bankruptcy

By Stewart Fleming in New York

ENVIRODYNE, a leading supplier of steel to the strike-bound International Harvester, is filing for bankruptcy following the big farm equipment and truck manufacturer's decision to foreclose on a \$50m loan to the steel company.

Chase Manhattan Bank, which has a \$35m loan outstanding to the company at a rate of 24 per cent, points out the prime rate of 19 1/2 per cent, has also moved to protect its loan by stopping shipments of new materials from Envirodyne's plant.

A U.S. Government agency, the Economic Development Agency, in November of last year advanced Envirodyne \$50m of guaranteed money, of which \$55m has been drawn. Envirodyne, which has already laid off its workforce of 3,400 employees, is seeking further financial aid from Washington.

In 1977, International Harvester divested itself of its steel operations by selling them to an Envirodyne subsidiary for \$15m in cash and \$50m of notes secured on coal and iron ore properties which it was transferring to Envirodyne.

Last year Envirodyne, which market, suffered a \$44m loss in sales of \$173m, partly as a result of the weakening steel market and rising interest costs. As the strike by United Auto-workers employees at International Harvester has dragged on since November of last year (it remains unsettled). The steel company's position has deteriorated rapidly.

INTERNATIONAL TEXTILES

Transatlantic contrasts

By William Cochrane

FIVE YEARS ago, the cyclical recession in textiles was international evidence. Advancing Courtaulds to a September "year-end," its profits would have been only \$71.1m before tax against the \$128.5m reported for the year to March 1975.

But the game changed last year. Hurt badly by imports in a number of key areas, Carrington Viella took a nasty tumble in 1979, with second-half profits of only \$3.4m against \$5.09m in the first six months and \$9.42m in January/June, 1978. In February of this year, stockbrokers Phillips and Drew reckoned that industry results to be announced for the second half of 1979 and the first half of this year were "likely to be bleak."

For Courtaulds, P and D sees benefits from a substantial re-organisation programme and the group's heavy involvement in cellulose (non-oil-based) products being eroded by competition—especially from the U.S.—in the Western European fabric export markets. "Some setback in profits," says P and D, "seems inevitable during 1980."

If the industry cycle moves against the U.S. textile majors Burlington Industries and J. P. Stevens and Company (No. 1

and No. 2 respectively in that market), it will be moving from a more comfortable earnings level. In fact, the current estimate from the major securities house Merrill Lynch puts for Burlington 1979/80 earnings around last year's \$2.67 a share, allowing for retrenchment of international operations which made sales of \$340m and a \$5.8m loss in 1978-79. Meanwhile, Merrill sees the possible fall in earnings at Stevens limited to 10 per cent from last year's \$3.22 a share, still leaving a potential rise in a dividend of \$1.09.

It is difficult to disassociate the contrasts between U.S. and UK earnings from last year's weakness in the dollar and the 45 per cent jump in U.S. exports of textiles and clothing which accompanied it. True, Burlington still gets only 6.3 per cent of its sales from the export markets; and Stevens'

export ratio is still under 5 per cent. But exports are only a part of the story. In the third quarter of last year, when U.S. exports of man-made fibre textiles were running 30 per cent ahead (by volume), imports were around 20 per cent lower than in the comparable period. In a cyclical, high-cost industry, even a marginal improvement in volume can make a difference in the net return.

TEXTILE COMPANY PERFORMANCE

	1975	1976	1977	1978	1979
Carrington Viella (Year to Dec 31)					
Sales \$m	232.8	278.0	304.3	396.0	312.8
Profit before tax \$m	5.56	11.86	16.06	14.51	8.49
Margin %	2.4	4.3	5.3	4.5	2.7
Courtaulds (Year to March 31)					
Sales \$m	1,133.9	1,166.3	1,510.3	1,575.7	1,681.6
Profit before tax \$m	128.5	46.3	80.9	53.7	64.0
Margin %	11.3	4.0	5.4	3.4	3.9
Burlington Industries (Year to Sept 30)					
Sales \$m	1,958	2,285	2,388	2,421	2,678
Profit before tax \$m	75	190	143	123	137
Margin %	3.8	8.3	6.0	5.1	5.1
J. P. Stevens and Co. (Year to Oct 31)					
Sales \$m	1,123	1,421	1,529	1,651	1,533
Profit before tax \$m	36.5	73.7	61.5	61.9	88.3
Margin %	3.3	5.2	4.0	3.7	4.4

INTERNATIONAL BONDS

Slight gains in dollar sector

By Peter Montagnon

STRAIGHT DOLLAR Eurobonds posted average gains of about 1 point yesterday, with the market showing little reaction either way to the strong advance of the dollar on foreign exchange markets and another sharp rise in Eurodollar rates, where six-month deposits were quoted at over 20 per cent at one stage.

Dealers said that investor interest was at a low ebb, and any business done was basically confined to month-end, and in some cases year-end positioning by major trading houses.

This saw a mixed market, and although prices moved higher on average, some issues which had been overbought recently posted losses on the day.

Investors, meanwhile, still apparently prefer short-term

instruments for dollar placements. There are signs that some have become suspicious of the strength of the U.S. currency on exchange markets, and are thus more reluctant than ever to get locked in to long-term paper.

This may also explain the resilience of the hard currency sectors of the market. On a

day when exchange market developments would normally have dictated price declines, both Deutsche-Mark foreign bonds and Swiss franc issues posted gains of about 1 point.

Turnover in both markets was low, and investors seem to have become wary of selling at current levels, at least for the time being.

U.S. Steel goes into property

By Ian Hargreaves in New York

U.S. STEEL, America's largest steelmaker, is to carry out another diversification from its main line of business by building a 54-storey office block in Pittsburgh.

The cost of the proposal was not disclosed, but U.S. Steel said that Dravo Corporation, the design, construction and engineering services group, would be the build-

Memorex in deal with Olivetti

By Guy de Jonquieres

MEMOREX, the U.S. computer peripherals company, is to set up a joint venture in Northern Italy in partnership with Olivetti, the Italian electronics manufacturer, to make small high-capacity disc drive memory units.

A large market is expected for

the devices, a comparatively recent technical development which enables the performance of small computers to be increased by expanding substantially their back-up storage capacity.

The new plant, due to start production towards the end of this year, is claimed to be the

first announced in Europe to manufacture the units.

The joint venture will be owned 60 per cent by Memorex, which will contribute the technology, and 40 per cent by Olivetti, which will provide management and working capital.

Bahamas tightens its banking secrecy laws

By Nicki Kelly in Nassau

IN AN attempt to retain its substantial share of Eurocurrency business the Bahamas has tightened its banking secrecy laws.

The new legislation, which amends the 15-year-old Banks and Trust Companies Act, is intended to close possible loopholes in the law governing the disclosure of information about banks, trust companies or their customers, many of them multinational corporations.

Although Bahamian courts have always upheld the principle of bank secrecy, a Supreme Court ruling late last year suggested that the existing law was subject to different interpretations. The changes are intended to eliminate any ambiguity.

The new legislation binds all directors, officers, employees and agents of any financial institution licensed in the Bahamas, together with its attorneys, consultants, auditors, accountants, receivers, liquidators and their employees from disclosing any information relating to the institution or to its customers and their accounts.

The law also covers the Inspector of Banks, as well as Bahamas Central Bank personnel, including attorneys, consultants, auditors and their employees.

Secrecy is considered a key element in maintaining the Bahamas as the world's leading offshore financial centre. Breach of the code, except by order of a Bahamian court, could result

in a \$15,000 fine and/or two years' imprisonment.

Most of the problems in the past have resulted from attempts by the U.S. Internal Revenue Service to obtain client information from Bahamian banks and trust companies. More recently, efforts by the major industrialised countries to impose some form of control over the vast Eurocurrency market have aroused concern about the type of information that might be required of foreign bank subsidiaries in the Bahamas.

Eurocurrency banks are exempt from Bahamian Exchange Control regulations and from any reserve requirements on their deposits. With the balance of payments surplus

generated by OPEC likely to reach \$120bn this year, market activity in offshore banking centres is expected to grow.

In the past year alone, 21 new bank and trust company licences were issued in the Bahamas. Political developments in Europe and the Middle East have also encouraged the growth of business. More than 20 branches and subsidiaries of Swiss banks are now located in Nassau.

As the largest Eurocurrency centre outside London, the Bahamas earns more than \$50m annually from the 300 banks and trust companies here. Thus the Government is wary of any measures that might reduce the volume of Eurocurrency business passing through.

Profits surge at Banamex

By William Chislett in Mexico City

BANAMEX, MEXICO's second biggest private bank, has reported a net profit for 1979 of Pesos 2,232m (88.9m) against Pesos 1,331m in 1978. The 71.4 per cent increase in profit reflected substantial increases in all of the bank's activities.

The profit was the equivalent of Pesos 34.59 per share, compared with Pesos 28.27 in 1978. Deposits increased by 39.8 per cent to Pesos 162,936m (\$7bn). Total assets rose by 44 per cent to Pesos 200bn (\$8.6bn).

Banamex's position is a measure of the healthy state of the oil-rich Mexican economy, which this year will grow by around 7 per cent. Financing by the bank registered a 50 per cent increase, with a total of Pesos 118.7bn. Banamex's stockbroking house, Casa de Bolsa, Banamex, consolidated its position as Mexico's main securities house with 23 per cent of the transactions handled by the market. It opened 14 new offices last year.

U.S. QUARTERLIES

AVERY INTERNATIONAL

First quarter 1980

Revenue 149.9m

Net profit 5.7m

Net per share 0.64

COMMONWEALTH EDISON

Year 1979

Revenue 2,750m

Net profit 213.9m

Net per share 2.46

FEDERAL COMPANY

Third quarter 1980

Revenue 251m

Net profit 25.1m

Net per share 0.14

HOUSTON INDUSTRIES

Fourth quarter 1980

Revenue 457.9m

Net profit 27.7m

Net per share 0.77

Year 1980

Revenue 1,936m

Net profit 160.9m

Net per share 4.70

MIDCONOUGH

Fourth quarter 1980

Revenue 118.5m

Net profit 4.96m

Net per share 0.46

IC Industries sales and income set records in 1979. By design.

CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31, 1979, compared with same period 1978

(Dollars in thousands except per common share amounts)	Year ended December 31, 1979	Year ended December 31, 1978
Sales and Revenues	\$3,735,000	\$2,670,000
Income from Continuing Operations	\$ 107,000	\$ 92,000
Income Per Common Share From Continuing Operations	\$ 5.31*	\$ 4.88

* Includes current year effect from accounting change.

IC Industries 1979 sales set a new record of \$3.7 billion, representing a 40 per cent increase over 1978. Income from continuing operations was up 17 per cent to a record \$107 million. Sales for the 4th quarter from continuing operations exceeded \$1 billion for the first time.

Income per share was affected by an accounting change involving certain costs associated with Illinois Central Gulf Railroad track improvement programs.

Consumer Products sales up 75%.

IC Consumer Products Group reported sales of almost \$2 billion for the year 1979. A 75 per cent increase over 1978.

Pet contributed \$1.4 billion to sales, with pre-tax income exceeding \$56 million. Twelve month sales results from Pet are included in 1979 figures compared to five months in 1978.

Commercial Products pre-tax income up 22%.

Our Abex Corporation contributed more than \$85 million in pre-tax income. Combined sales from all Abex lines in 1979 were \$908 million. Abex Railroad Products Group sales exceeded \$279 million. And by mid-1980 Abex will have the most modern facility in the world for the production of cast steel

wheels. With a capacity to produce 295,000 wheels, the new Abex plant will more than double our total capacity. Abex commercial and defense-related sales to the aerospace industry increased steadily with a record \$110 million backlog.

Abex year-end backlog was \$536 million, compared with \$362 million in 1978. Up 48 percent.

Hussmann enters 1980 with \$69 million backlog.

The Hussmann group had sales of \$308 million. And a pre-tax income of more than \$28 million. About 42 per cent above 1978 figures.

Hussmann is the world's largest manufacturer of commercial refrigeration and merchandising equipment. And is the acknowledged pioneer in energy saving technology and total store environmental control systems.

Pepsi, Dad's and Bubble Up sales at new high.

IC Industries soft drink operations represent a major factor in this growth market. Sales in 1979 increased 16 percent to \$281 million.

Included are Pepsi-Cola General Bottlers, Dad's Root Beer Company, and Bubble Up Company. Two new Pepsi-Cola franchise acquisitions were made during the year.

Midas automotive sales at record high.

Sales to the 1,243 Midas Automotive Service shops worldwide set a new record high of \$187 million. Midas added 145 shops in 1979 and expects to add 133 new shops in 1980.

Midas recreational vehicle sales declined to \$90 million, 43 per cent below 1978 because of fuel price increases, availability of consumer credit and high interest rates. However, in 1980 Midas anticipates about a 20 per cent sales increase if gasoline supplies are adequate.

Successful in the 70's. Confident for the 80's.

Our growth in sales and earnings throughout the 1970's has given us confidence in our plan for the 1980's. A plan designed to give us a broad base of strength, particularly in commercial and consumer products.

If you would like to know more about how we grew in the past decade and our plans for growth in the next, just write: IC Industries, Inc., European Office, 55 chemin Moise Duboulet, CH-1209, Geneva, Switzerland.

IC Industries Growth by design.

IC Industries 1980

Revenue 117.2m

Net profit 4.96m

Net per share 0.46

Six Months

Revenue 230.3m

Net profit 12.8m

Net per share 1.14

IC Industries 1980

Revenue 117.2m

Net profit 4.96m

Net per share 0.46

Six Months

Revenue 230.3m

Net profit 12.8m

Net per share 1.14

The Shareholders and Management of London & Continental Bankers Ltd.

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OKOBANK Osuuspankki Keskuspankki Oy, Finland

Australian residents allowed to increase overseas investments

BY JAMES FORTH IN SYDNEY

THE AUSTRALIAN Government has relaxed foreign exchange controls which restricted the amount of portfolio investment by Australian companies and individuals. The changes, to be introduced today, will mean that individuals can increase investments in equity and real estate from A\$10,000 a year to A\$40,000 (\$US43,500) a year.

Public companies and institutions will have their limit raised from A\$1m to A\$12.5m (\$US13.6m), while substantial private companies will have a new limit of A\$250,000. Announcing the changes in the Federal Parliament, Mr. John

Heward, the Federal Treasurer, said that the measures more than offset the effects of inflation since the present limits were set in September, 1972.

The relaxation also applies to fixed interest securities where the term is longer than 12 months. Individuals may now also invest annually up to A\$10,000 in such securities, substantial private companies up to A\$100,000 and public companies and institutions up to A\$1m.

Mr. Heward said it would still be necessary to obtain exchange control approval for all portfolio investments overseas.

Gain at Australian Agricultural

BY OUR SYDNEY CORRESPONDENT

AUSTRALIAN Agricultural Company, the pastoral group, more than trebled its earnings in 1979, from A\$2.33m to A\$7.6m (\$US8.3m). The dividend has been raised from 10 cents a share to 25 cents, which

includes a "special" element of 10 cents a share "because of the exceptional result achieved in 1979." The dividend is covered by earnings of 54 cents a share compared with 16.6 cents in 1978.

Advance by Hong Kong property developer

By Anthony Rowley in Hong Kong

NEW WORLD Development Company, a leading Hong Kong-Chinese real estate development group, whose other interests include hotels, tourism, construction and engineering, has announced net profits of HK\$342.8m (\$US\$67.6m) for the six months to December 31 compared with HK\$305.5m for the corresponding period of 1978/79, the latest profit includes extraordinary gains of HK\$217m against gains of under HK\$20m a year earlier.

Even so, interim profits were still doubled after stripping out extraordinary items, reflecting the buoyant state of the property market in Hong Kong. New World, which is headed by Mr. Ho Sin-Hang, has a number of major properties under development including the extensive New World Centre project in Hong Kong's main business district.

The company said the extraordinary profits in the first half arose from the sale of a residential property and of shares in the Hongkong and Shanghai Hotel group.

Recent rent control legislation which limits the increase in residential rents to 21 per cent over two years—would probably cause property buyers and speculators to adopt a wait and see attitude, New World said. But this would have little effect on its own profits because of the balance between rental income and property sales.

Costs hit China Motor Bus

By Our Hong Kong Correspondent

CHINA MOTOR BUS Company, one of the two main utilities operating bus services in Hong Kong, has reported a group net profit for the six months ended December 31 of HK\$12.14m (\$US\$2.4m) against HK\$9.73m in the first half of the previous year.

The profit is after a transfer from the company's development fund of HK\$8.98m against a transfer to the fund of HK\$2.94m in the previous year. Pre-tax profits, which exclude such transfers, were HK\$3.77m in the first half against HK\$14.9m in the first half of 1978-79.

The company attributed the sharply lower profit before transfers to higher costs for diesel oil and wages. The interim dividend is being maintained at 60 cents.

Mitsui Bank exceeds loan guideline grace period

BY CHARLES SMITH IN TOKYO

OUTSTANDING LOANS by Mitsui Bank to its sister organisation Mitsui and Co. were equivalent to 30 per cent of the bank's owned capital at the close of business last night, in contravention of a Finance Ministry guideline which states that banks should limit their loans to individual corporate borrowers to 20 per cent of the bank's owned capital.

Mitsui Bank is the only major Japanese city bank to have failed to comply with the MOF guideline, which was first announced in December, 1974, but with a five year grace period. The guideline took effect this morning.

Mitsui Bank's president, Mr. Masahiko Seki, yesterday sent a letter to the Ministry of Finance outlining a programme under which the bank hopes to conform to the Ministry guideline within two years, and explaining the reasons for its failure to meet today's deadline. The letter is thought to have pointed out that Mitsui Bank had cut its loans to Mitsui and Co. from 79 per cent of its owned capital in 1974. It is also noted that loan repayments by Mitsui and Co. over the five year period totalled ¥75bn

(\$900m)—almost exactly the same as repayments made over the same period by Mitsubishi Corporation to Mitsubishi Bank.

Mitsubishi Corporation's repayments to its sister bank were enough to reduce its borrowings to less than 20 per cent of Mitsubishi Bank's owned capital, because the owned capital of Mitsubishi Bank, fourth largest of the Japanese city banks, is relatively large. Mitsui Bank ranks in only eighth position among the city banks but is the main bank of Mitsui and Co. and many other member companies of the Mitsui group. The discrepancy in size between Mitsui Bank and the group to which it belongs is the main reason why difficulties have arisen in meeting the Finance Ministry guidelines.

The Ministry of Finance, the immediate concern of which is to see this year's budget safely through the Diet, is not expected to decide for some weeks on how to deal with Mitsui Bank's failure to observe its guideline, which lacks the force of law but nevertheless carries the weight of the Ministry's authority. It has been suggested that the Ministry might retaliate by restricting Mitsui's freedom to open new

branches inside or outside Japan. Mitsui points however that this would in the long run hinder the bank's efforts to increase its capital and thus make it still harder to conform to the Ministry of Finance guideline.

The MOF guideline was aimed at discouraging an excessive concentration of ownership in industry, backed by borrowed funds. The measure is thought to have been aimed especially at large trading companies which are heavily dependent on borrowed capital and which were commonly believed to be pursuing an aggressive business strategy in the early 1970s.

Apart from Mitsui and Co., three other Japanese companies had excess borrowings as defined by the MOF guidelines when the deadline took effect last night. They were Tokyo Electric Power, AC Sangyo, the successor company of the defunct Ataka and Co., and Saka moto Spinning Tokyo Electric was granted formal exemption from observing the guideline some months ago, while AC Sangyo and Sakamoto (a formerly bankrupt company now under reconstruction) are both regarded as special cases.

NISM profits jump

BY GEORGIE LEE IN SINGAPORE

NATIONAL Iron and Steel Mill (NISM) Singapore's only steel mill, has reported its highest ever pre-tax profits for the year ended December 1979. The surplus rose by 25 per cent to S\$47.2m (U.S.\$21m), surpassing the 1974 record of S\$42.1m.

Group net profit increased by 25 per cent to S\$27.9m after tax up by 21 per cent at S\$19.3m. Group operating profit rose by 20 per cent to S\$41.8m and group turnover grew by 38 per cent to S\$247.5m. Investment and interest income amounted to S\$4.8m, an increase of 30 per cent.

NISM has proposed a final gross dividend of 8 per cent and a bonus gross dividend of 5 per cent which, together with the interim dividend of 13 per cent paid last year, make a total of 26 per cent for the full year. For 1978, NISM paid dividends amounting to 16 per cent gross and 6.5 per cent tax exempt.

United Mizrahi acquisition

BY L. DANIEL IN TEL AVIV

UNITED MIZRAHI BANK is now safely ensconced as Israel's fourth largest bank after the acquisition of the Israel Government's share in Tichot Mortgage Bank—the country's largest mortgage bank—for a cash payment of 14701m (about \$17.5m).

The Government had had voting control (51.8 per cent) since the bank was established in 1945 to assist in public housing projects. Its equity holding is 17.1 per cent.

United Mizrahi is now conducting negotiations with the two other major shareholders—Clal, Israel's largest investment company, which has 32.4 per cent of the equity and 20.8 per cent of voting rights, and the Israel Investors Corporation which has 19.7 per cent of the equity and 18.3 per cent of voting rights, to acquire part of their holdings.

● Israel is in the process of replacing the Israeli pound with the Shekel, at a conversion rate of 100 IS = 1.

UIOH pulls out of UIC bid

By Our Singapore Correspondent

THE TAKEOVER battle for United Industrial Corporation (UIC) has taken a new turn with the announcement over the weekend of United Industrial Overseas Holdings' (UIOH) withdrawal of its unconditional offer for UIC shares at S\$4.00 per share.

The Development Bank of Singapore (DBS) said in a brief announcement on behalf of UIOH, that acceptances received to date will be returned to shareholders who are now released from their obligations. UIOH's offer was formally made on March 14 and was due to close on April 18.

DBS disclosed that on March 27, UIOH applied to the Securities Industry Council for permission to withdraw the offer and was given consent to do so on March 28. UIOH gave no reason for the abrupt withdrawal, but DBS has promised further details to shareholders as soon as possible.

With UIOH's withdrawal, the bidder left is Hang Lung Development of Hong Kong, which has offered S\$4.50 per UIC share.



ARAB BANK LIMITED

EXTRACTS FROM THE 1979 DIRECTORS REPORT

Peak Figures

The Arab Bank Ltd. scored new highs in 1979 in comparison with the previous record figures of 1978. The Balance Sheet Total approached two billion Jordan dinars, the equivalent of approximately 7 billion U.S. dollars, which represents an increase of 18.3%.

Deposits increased by 17.6%, and Loans and Discounts by a large percentage of 37.1%, as a result of increased financing of important projects in the Arab World and participating in international syndicated loans. The liquidity ratio (Cash/Deposits) remained high at 57.2%, or 63.9% when marketable securities are considered.

Contra Accounts comprising guarantees, documentary credits and acceptances recorded an increase of 19.1%. The volume of import and export transactions effected through the Arab Bank branches registered a large increase of JD. 140 million over 1978, reaching JD. 936 million.

Operating Results

Gross Earnings surpassed JD. 400 million for the first time. After setting aside adequate amounts for contingencies and deducting all expenses a Net Profit of JD. 14,315,940 is left over for appropriation. The Board recommends the allocation of JD. 8,950,000 to the various Reserves shown in the Balance Sheet and JD. 2,053,090 as Undivided Profit. This brings the Share-

holders Equity up to JD. 61 million, as compared with JD. 50 million in 1978. The Board also recommends the allocation of JD. 3,300,000 as Dividends at JD. 3 per share compared with JD. 1.5 in 1978. The remaining balance, JD. 11,750, is allocated as remuneration to the Board Members.

The Board of Directors has asked the General Assembly to increase the capital of the Arab Bank from 11 million JDs to 22 million by distributing a new share for every share already held.

The Arab Bank is the oldest private institution in the Arab World (established in Jerusalem in 1930). It has the largest capital and reserves, and its branches are spread all over the Arab countries. It has three branches in London, one in Athens, one in Paris, in addition to sister companies and affiliates in Switzerland, Germany, France, England, U.S.A. and a finance company, in London, owned completely by the Arab Bank. (The balance sheet figures of these sister institutions and affiliates are not included in the Arab Bank Ltd. figures). The Arab Bank has over 1,000 correspondent Banks all over the world.

New Branches

On 2nd July 1979 the Mazra's branch in Beirut, Lebanon was opened for business. Three new branches are scheduled to commence activities early in 1980: One in Salda (Sidon) Lebanon, another in Kensington High Street in London and the third in Athens.

BALANCE SHEET at 31st DECEMBER 1979

ASSETS		LIABILITIES	
	1979		1978
	\$		\$
Cash in hand and at Banks	2,302,448,513	Deposits and Other Accounts	4,027,203,994
Bonds (Government and Other)	249,635,823	Items in Transit	7,355,777
Investments (Inc. Subsidiaries)	30,348,755	Capital Authorised and Fully Paid (JD 10 per share)	37,290,000
Bills discounted	186,232,677	Statutory Reserve	33,900,000
Loans to Customers	1,420,703,933	General Reserve	71,190,000
Bank Premises (less depreciation)	23,427,198	Voluntary Reserve	44,070,000
Furniture and Equipment (less depreciation)	4,665,087	Undivided Profit	20,426,835
Other Assets	75,204,842	Net Profit (for distribution)	11,230,222
Total Assets	4,252,664,828	Total Liabilities	4,252,664,828
Customers' Liability Guarantees, Credits and Acceptances (per contra)	2,386,880,884	Guarantees, Credits and Acceptances (per contra)	2,386,880,884
Total	6,639,547,712	Total	6,639,547,712

One Jordan Dinar (JD 1) = U.S.\$ 3.39 (approximately)

U.S. \$25,000,000
Floating Rate Notes Due 1989

UNITED OVERSEAS BANK LIMITED

(Incorporated in the Republic of Singapore)



In accordance with the provisions of the Notes, notice is hereby given that for the three month Interest Period from 31st March, 1980 to 30th June, 1980, the Notes will carry an Interest Rate of 19% per annum. The relevant Interest Payment Date will be 30th June, 1980 and the Coupon Amount per U.S. \$1,000 will be U.S. \$49.61.

Credit Suisse First Boston Limited
Agent Bank

U.S. \$25,000,000
Floating Rate London-Dollar Negotiable
Certificates of Deposit, due 31st March, 1981

THE SANWA BANK LIMITED LONDON



In accordance with the provisions of the Certificates, notice is hereby given that for the six month Interest Period from 31st March, 1980 to 30th September, 1980, the Certificates will carry an Interest Rate of 19% per annum. The relevant Interest Payment Date will be 30th September, 1980.

Credit Suisse First Boston Limited
Agent Bank

This announcement appears as a matter of record only.

New Zealand Wool Board

(A Statutory Corporation established under the Wool Industry Act 1972)

US\$100,000,000

Medium Term Revolving Credit

arranged and managed by

J. Henry Schroder Wagg & Co. Limited

in association with

Schroder, Darling and Company Limited

Australia

and provided by

Bank of New Zealand

The Bank of Nova Scotia Asia Limited

Commerzbank International S.A.

LB Finance (Hong Kong) Limited

Merrill Lynch International Bank Limited

National Westminster Bank Limited

J. Henry Schroder Bank & Trust Company

J. Henry Schroder Wagg & Co. Limited



Schroders

J. Henry Schroder Wagg & Co. Limited, 120 Cheapside, London EC2V 6DS



Bank of New South Wales

(Incorporated in Australia with limited liability)

Bearer Deposit Receipts

Bank of New South Wales will cease to be issuers under the above scheme as from October 1, 1980.

Under terms of Clause 8 on the reverse side of the Deposit Receipt notice is hereby given of the termination of the agreement with the owners of B.D.R.'s.

Options open to the owners of B.D.R.'s are—

- Sale of the underlying shares
- Transfer of the underlying shares to the name of the beneficial owner.

Bank of New South Wales will carry out owners instructions free of charge and will meet any Australian Stamp Duty.

Owners are requested to forward their instructions as soon as possible and in any case not later than September 30, 1980.—

Bank of New South Wales (Attn. Investment Services Department)

29 Threadneedle Street, London EC2R 8BA.

Bank of New South Wales Bearer Deposit Receipts are currently outstanding in respect of shares in the following companies—

Broken Hill Proprietary Co Ltd Ord FP \$2.00. International Mining Corporation Ltd Ord FP \$0.10. Metals Exploration Ltd. Ord FP \$0.50. Oakbridge Ltd. S.U. FP \$1.00. Pacific Copper Ltd. Ord. FP \$0.25. Pako Wallsend Ltd. S.U. FP \$0.50. Pinevale Investments Ltd. Ord FP \$0.20. Thiess Holdings Ltd. S.U. FP \$0.50. Thomas Nationwide Transport Ltd. S.U. FP \$0.50. Western Mining Corporation Ltd. Ord. FP. \$0.50.



CURRENCIES, MONEY and GOLD

Companies and Markets

£ & \$ very firm

STERLING and the U.S. dollar were both very firm in currency markets yesterday. The dollar was underpinned by high Euro-dollar rates, with three-month deposits reaching a record 10 1/2 per cent. Demand for the U.S. unit was high ahead of the end of the month and fiscal year, but the underpinning was nevertheless very strong. Against the D-mark it finished at its best level of the day at DM 1.9510, the highest level seen since September 1978, and well up from Friday's close of DM 1.9390, despite considerable central bank intervention. Similarly against the Swiss franc, it rose to Sfr 1.8310, its best level since June 1978, and compared with Sfr 1.8260 on Friday. The Japanese yen remained on the sidelines, with the dollar finishing at ¥248.85 against ¥249.50.

On Bank of England figures, the dollar's trade-weighted index rose from 90.3 to 90.8, its highest level since January 1978.

Sterling was steady on a trade-weighted basis, and its index reflected the strength of sterling, for while its index remained the same, it lost a cent against the dollar. The pound's improvement came against European currencies, rising to DM 1.9510 against the D-mark, its best level since July 1978, and compared with DM 1.9450 on Friday. Against a Swiss franc it closed at Sfr 1.8310, the first time it has been above Sfr 1.8260 since November 1977. The pound was an all time high against the dollar, finishing at £1.9415 compared with £1.9405.

Dollar terms sterling opened 2.1760 and rose to 2.1778, coming back to 2.1675, the dollar finished at ¥248.85, a low of ¥2.1610, but it

recovered slightly to close at 2.1635-2.1645, a fall of one cent from Friday.

D-MARK—One of the weakest members of the European Monetary System just recently, reflecting the steady rise in the U.S. dollar, higher interest rates and expectations of a continuing balance of payments deficit in Germany, the D-mark was fixed at its highest level since September 1978 in Frankfurt at DM 1.9419, compared with DM 1.9288 on Friday. The dollar was firmer on the latest increase in U.S. interest rates, and the Bundesbank sold nearly \$50m at the fixing to stem the rise. Elsewhere the D-mark was weaker overall. Sterling rose to DM 1.9510 from DM 1.9450, and the Belgian franc was firmer at DM 0.239 per Bfr 100 from DM 0.236.

EUROPEAN FRANC—Normally weak within the EMS, but continued central bank intervention and record interest rates have lifted the franc off the floor and levelled it with the D-mark. The franc's mixed change in Brussels yesterday, losing ground to the very strong dollar and sterling, but improving against the D-mark and French franc. The dollar rose to Bfr 31.17 at the fixing, compared with Bfr 31 previously, and sterling was higher at Bfr 67.6975 against Bfr 67.52. The D-mark fell to Bfr 67.52 from Bfr 67.6975, and the French franc was weaker at Bfr 6.8575 from Bfr 6.9585.

JAPANESE YEN—Energy problems reflected in sharp decline last year, which after a slight pause has been renewed, resulting in a support package and heavy central bank intervention. Trading took place within a fairly narrow band ahead of the month end, and the dollar finished at ¥248.85, a low of ¥2.1610, but it

THE POUND SPOT AND FORWARD

March 31	Day's Spread	Close	One month	% Three months	% p.a.
U.S.	2.1635-2.1645	2.1635-2.1645	0.30-0.35c	2.11	7.04-8.05
Canada	1.2525-1.2535	1.2525-1.2535	0.00-0.05c	1.02	4.12-4.25
Belgium	0.2365-0.2375	0.2365-0.2375	0.00-0.05c	0.73	1.81-1.91
Denmark	13.90-13.95	13.90-13.95	0.00-0.05c	0.89	2.00-2.10
France	67.25-67.75	67.25-67.75	0.00-0.05c	0.89	2.00-2.10
Germany	1.9419-1.9419	1.9419-1.9419	0.00-0.05c	0.89	2.00-2.10
Italy	1.120-1.125	1.120-1.125	0.00-0.05c	0.89	2.00-2.10
Japan	248.85-248.85	248.85-248.85	0.00-0.05c	0.89	2.00-2.10
Netherlands	1.60-1.65	1.60-1.65	0.00-0.05c	0.89	2.00-2.10
Portugal	200.00-200.00	200.00-200.00	0.00-0.05c	0.89	2.00-2.10
Spain	166.20-166.70	166.20-166.70	0.00-0.05c	0.89	2.00-2.10
Sweden	1.9419-1.9419	1.9419-1.9419	0.00-0.05c	0.89	2.00-2.10
Switzerland	1.8310-1.8310	1.8310-1.8310	0.00-0.05c	0.89	2.00-2.10
UK	2.1635-2.1645	2.1635-2.1645	0.30-0.35c	2.11	7.04-8.05

THE DOLLAR SPOT AND FORWARD

March 31	Day's Spread	Close	One month	% Three months	% p.a.
U.S.	2.1635-2.1645	2.1635-2.1645	0.30-0.35c	2.11	7.04-8.05
Canada	1.2525-1.2535	1.2525-1.2535	0.00-0.05c	1.02	4.12-4.25
Belgium	0.2365-0.2375	0.2365-0.2375	0.00-0.05c	0.73	1.81-1.91
Denmark	13.90-13.95	13.90-13.95	0.00-0.05c	0.89	2.00-2.10
France	67.25-67.75	67.25-67.75	0.00-0.05c	0.89	2.00-2.10
Germany	1.9419-1.9419	1.9419-1.9419	0.00-0.05c	0.89	2.00-2.10
Italy	1.120-1.125	1.120-1.125	0.00-0.05c	0.89	2.00-2.10
Japan	248.85-248.85	248.85-248.85	0.00-0.05c	0.89	2.00-2.10
Netherlands	1.60-1.65	1.60-1.65	0.00-0.05c	0.89	2.00-2.10
Portugal	200.00-200.00	200.00-200.00	0.00-0.05c	0.89	2.00-2.10
Spain	166.20-166.70	166.20-166.70	0.00-0.05c	0.89	2.00-2.10
Sweden	1.9419-1.9419	1.9419-1.9419	0.00-0.05c	0.89	2.00-2.10
Switzerland	1.8310-1.8310	1.8310-1.8310	0.00-0.05c	0.89	2.00-2.10
UK	2.1635-2.1645	2.1635-2.1645	0.30-0.35c	2.11	7.04-8.05

CURRENCY MOVEMENTS

Mar. 28	Bank of England	Special Drawing Rights	European Currency Unit	Mar. 31	Bank of England	Special Drawing Rights	European Currency Unit
Sterling	17	0.577586	0.603760	Sterling	17	72.3	72.3
U.S.	13	1.252510	1.253010	U.S. dollar	13	80.8	80.8
Canadian \$	14	1.49059	1.65447	Canadian dollar	14	90.9	174.7
Austrian Sch.	64	17.5426	18.0097	Austrian schillings	150.8	150.8	+85.5
Belgian franc	13	13.9097	14.0097	Belgian franc	210.9	210.9	+121.0
Denmark kr.	14	13.9097	14.0097	Denmark kroner	104.7	104.7	+5.7
O'Mark	7	7.42325	7.53249	Deutsche mark	185.5	185.5	+71.8
£ 500 franc	19	1.9419	1.9419	Swiss franc	186.0	186.0	+11.1
French Fr.	67	67.2525	67.7525	Guilder	136.7	136.7	+17.9
French Fr.	67	67.2525	67.7525	French franc	186.0	186.0	+11.1
Lira	11	1.12134	1.17030	Yen	55.0	55.0	+60.0
Yen	248	248.85	248.85	Yen	117.0	117.0	+16.0
Morgenkr.	8	8.75687	8.74546	Based on trade weighted changes from Washington agreement December, 1971			
Spanish Ptas.	9	90.2220	93.9596	[Bank of England Index=100]			
£ 500 franc	19	1.9419	1.9419				
Swiss Fr.	2	2.16373	2.19955				

OTHER CURRENCIES

Mar. 31	£	g	£	Note Rates
Argentina Peso	377.7307	1749.1749	Austria	30.00-30.15
Australia Dollar	1.9999	0.2000	Belgium	69.65-70.85
Brazil Cruzeiro	100.9310	46.5040	Denmark	13.90-13.95
Finland Markka	6.2431	5.8945	France	9.55-9.71
Great Dracmach	1.2525	1.2530	Germany	2.30-2.32
Hong Kong Dollar	10.95	10.91	Italy	1.00-1.05
Iran Rial	n/a	n/a	Japan	248.85
Kuwait Dinar/KR	1.00	0.2760	Netherlands	59.45-61.00
Luxembourg	67.50-67.60	67.51-67.53	Norway	13.90-13.95
Malaysia Dollar	4.0500	4.4600	Portugal	107-111
New Zealand D.	2.2956	2.3000	Spain	166-169
Philippines P.R.	1.2525	1.2530	Sweden	1.94-1.95
Singapore Dollar	4.9275	4.9375	Switzerland	2.16-2.17
S.K. African Rand	1.7580	1.7550	United States	3.95-4.20

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU March 31	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.7887	40.8051	+2.06	+0.97	+1.53
Danish Krone	7.2225	7.4877	+1.74	+0.65	+1.66
French C-Mark	2.48203	2.53282	+2.04	+0.95	+1.125
French Franc	5.94700	6.0212	+1.22	+0.71	+1.537
Dutch Guilder	2.74352	2.77081	+0.98	+0.11	+1.152
Italian Lira	0.68201	0.67230	-0.061	-0.48	+1.608
Portuguese Escudo	157.79	157.79	0.000	+0.53	+1.608
Spanish Peseta	166.20	166.70	+0.30	+0.68	+1.608
Swedish Krona	1.9419	1.9419	0.000	+0.53	+1.608
Swiss Franc	1.8310	1.8310	0.000	+0.53	+1.608
UK Pound	2.1635	2.1645	+0.05	+0.53	+1.608

EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of deposit: one-month 19.30-19.40 per cent; three-month 19.55-19.65 per cent; six-month 19.45-19.55 per cent; one year 17.75-17.85 per cent.

Mar. 31	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian Yen	Japanese Yen
150-day term	17.14	19.14	19.14	19.14	19.14	19.14	19.14	19.14	19.14	19.14
90-day term	17.14	19.14	19.14	19.14	19.14	19.14	19.14	19.14	19.14	19.14
30-day term	17.14	19.14	19.14	19.14	19.14	19.14	19.14	19.14	19.14	19.14
Overnight	17.14	19.14	19.14	19.14	19.14	19.14	19.14	19.14	19.14	19.14

EXCHANGE CROSS RATES

Mar. 31	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canadian Dollar	Belgian Franc
Pound Sterling	1	2.164	4.223	250.0	9.723	4.008	4.825	194.5	2.578	67.65
U.S. Dollar	0.462	1	1.952	250.0	4.403	1.852	2.137	898.6	1.181	31.22
Deutsche Mark	0.237	0.513	1	128.0	2.501	0.949	1.095	460.2	0.630	15.99
Japanese Yen	1.848	4.000	7.810	100.0	17.87	7.409	8.649	359.4	4.765	124.9
French Franc	1.029	2.226	4.246	55.6	10	4.122	4.757	200.0	2.652	60.48
Swiss Franc	0.250	0.540	1.054	135.0	2.426	1	1.154	465.2	0.643	16.96
Dutch Guilder	0.216	0.468	0.914	117.0	2.103	0.966	1.1	420.4	0.597	14.61
Italian Lira	0.514	1.113	2.173	879.3	5.000	2.061	2.379	1000	1.326	34.74
Canadian Dollar	0.399	0.839	1.638	200.9	5.771	1.654	1.794	754.3	1	86.30
Belgian Franc	1.460	3.204	6.255	900.9	14.39	5.933	6.847	287.0	3.916	100

INTERNATIONAL MONEY MARKET

French call rate up

French call money rose by 1 per cent to 12 1/2 per cent yesterday, and came into line with the Bank of France market intervention rate established on Friday. Before the weekend the authorities bought FF 270 of first category paper at 12 1/2 per cent, compared with 13 per cent earlier this month. Conditions in the money market remained generally quiet however, with period rates slightly easier in

this year. With the franc and D-mark at opposite ends of the EMS the Bank of France has given support to the German currency.

In Frankfurt short-term interest rates were firmer yesterday, with call money quoted at 8.5-8.7 per cent, compared with 8.5-8.6 per cent.

In Amsterdam call money eased to 10-10 1/2 per cent from 10 1/2-11 per cent, and term rates

GOLD

Firm trend

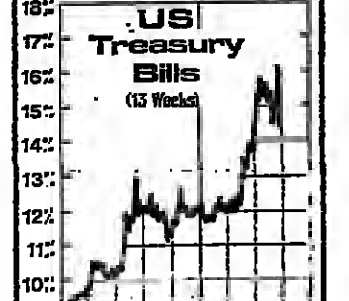
Gold rose \$19 an ounce in rather featureless trading in the London bullion market yesterday, to close at \$501.50. The metal opened at \$500.51, its best level of the day and eased to \$500.25 at the morning fixing. The afternoon fix showed a further fall to \$499.50, and the low for the day was \$499.00.

In Paris the 12 1/2 kilo bar was fixed at FF 71,500 per kilo (\$496.56 per ounce) compared

with FF 72,230 (\$502.75) in the morning and FF 70,750 (\$502.25) on Friday afternoon. In Frankfurt the 12 1/2 kilo bar was fixed at DM 30,970 per kilo (\$496.03 per ounce) against DM 30,520 (\$493.07) previously. At the close the metal was quoted at \$497.50 per ounce against \$499.00 on Friday.

In Zurich gold finished at \$497.50 per ounce from Friday's close of \$498.490 per ounce.

Mar. 31	Gold Bullion (fine ounce)	Mar. 28
Close	\$501.507	\$501.507
Open	\$500.51	\$500.51
High	\$501.507	\$501.507
Low	\$499.00	\$499.00
Settlement	\$499.50	\$499.50
Gold Coins		
Kruggerand	\$527.532	\$527.532
London	\$527.532	\$527.532
New Sovereign	\$120.153	\$120.153
Victory	\$145.150	\$145.150
French 50c	\$118.123	\$118.123
Swiss 10c	\$600.510	\$600.510
100c Austrian	\$490.500	\$490.500
100c Italian	\$600.510	\$600.510
100c Spanish	\$600.510	\$600.510



UK MONEY MARKET

Large help

Bank of England Minimum Lending Rate 17 per cent (since November 15, 1979). Money remained in short supply in the London money

market yesterday, and the authorities gave large assistance by buying a small amount of Treasury bills from the discount houses and banks, and by lending a moderate amount, overnight to six or seven houses, at Minimum Lending Rate.

Books brought forward small surplus balances, but this was outweighed by repayment of the small amount borrowed by the market on Friday, a small net take-up of Treasury bills, and small end of month oil payments.

Discount houses paid 17 per cent for secured call loans for most of the day, although some small balances were found at 16 1/2 per cent. The interbank market overnight loans opened at 17 1/2 per cent and ranged between 17 1/2 per cent and 18 per cent during the morning, before rising to 18 per cent in places in the afternoon, but closing around 17 per cent.

Rates in the table below are nominal in some cases.

MONEY RATES

NEW YORK	Prime Rate	15-15 1/2
Overnight	15-15 1/2	15-15 1/2
Three months	15-15 1/2	15-15 1/2
Six months	15-15 1/2	15-15 1/2
One year	15-15 1/2	15-15 1/2
Two years	15-15 1/2	15-15 1/2
Three years	15-15 1/2	15-15 1/2
Four years	15-15 1/2	15-15 1/2
Five years	15-15 1/2	15-15 1/2
Six years	15-15 1/2	15-15 1/2
Seven years	15-15 1/2	15-15 1/2
Eight years	15-15 1/2	15-15 1/2
Nine years	15-15 1/2	15-15 1/2
Ten years	15-15 1/2	15-15 1/2
Eleven years	15-15 1/2	15-15 1/2
Twelve years	15-15 1/2	15-15 1/2
Thirteen years	15-15 1/2	15-15 1/2
Fourteen years	15-15 1/2	15-15 1/2
Fifteen years	15-15 1/2	15-15 1/2
Sixteen years	15-15 1/2	15-15 1/2
Seventeen years	15-15 1/2	15-15 1/2
Eighteen years	15-15 1/2	15-15 1/2
Nineteen years	15-15 1/2	15-15 1/2
Twenty years	15-15 1/2	15-15 1/2

LONDON MONEY RATES

Mar. 31

Companies and Markets

COMMODITIES AND AGRICULTURE

Coffee crop estimate reduced

WASHINGTON — The U.S. Agriculture Department has reduced its 1979-80 world coffee crop forecast to 81.1m bags (60 kilos each), a 3.4 per cent cut from its previous estimate but above the 1978-79 crop.

The Department said exportable production is estimated at 81.1m bags, 2.9 per cent higher than the 79.3m bags estimated for 1978-79.

The estimate for South American countries is unchanged but the African total has been cut by 32,000 bags. Output in the Ivory Coast is now forecast at less than 4.2m bags, 500,000 bags below last season.

In New York meanwhile Gindoff Paton said U.S. roasting of green coffee from January 1 to March 22 were about 4,330,000 bags, including that used for soluble production, against about 4,420,000 bags during the same period last year.

Reuter

Hull lands first fish for two months

A LOAD of fish was landed at Hull yesterday—the first landing at the port for two months.

Following the decision of the Hull Fishing Vessels Owners Association to begin liquidation because of high costs and reduced landings a major question-mark has been hanging over the port's future. Yesterday's landing does not solve the problem but it raises some hope that Hull fish dock can be saved.

The fish—2,010 ten-stone kits, mainly of saithe (coley)—were landed by the Boyd Line vessel Arctic River which paid a wharfage charge of £12.63 a tonne. This compares with over £50 a tonne paid by the association before its collapse.

The dock facilities are now being operated by their owner, the British Transport Docks Board, which previously rented them to the Association for £124,000 a month.

The Board cut the wharfage charge last month when it was accused of driving away valuable business, notably from Icelandic trawlers, by sticking to the fees quoted by the Association. The charge for frozen fish landings is £22.50 a tonne.

Bargain hunting lifts metals

BY JOHN EDWARDS, COMMODITIES EDITOR

LONDON METAL markets were calm yesterday after last week's "bargain" purchases brought generally higher values, encouraged by the firmer trend in gold.

Silver prices moved higher but the market remained extremely nervous. The bullion spot quotation at the morning fixing was set at \$22.40 a troy ounce. This was 22.3p down on Friday morning's fixing, but above the Friday afternoon closing price. Values gained further ground in the afternoon. On the London Metal Exchange the cash price closed at 875p an ounce 105p up on the previous close.

In the base metals, copper wirebars rose by £11.5 to £84.5 a tonne, despite a rise in warehouse stocks for the second week in succession. The stocks increase was, however, only 375 tonnes raising total holdings to 117,925 tonnes, and dealers were more concerned with the firm opening in the New York market.

Tin prices reflected the general air of slightly more confidence. Cash tin increased by 297.5 to £7,745 a tonne. A rise in tin warehouse stocks, up by 145 to 3,895 tonnes, was in line with market expectations.

There was some surprise at the size of the increase in lead stocks, which rose by 2,723 to 12,550 tonnes. Nevertheless cash lead followed the upward

trend in copper and closed \$9.5 higher at \$452 a tonne. Aluminium stocks rose by 2,450 to 32,975 tonnes, but the market moved higher on reports of a rise in world prices announced by two leading producers. Zinc stocks rose by 700 to 50,500 tonnes, but nickel fell by 276 to 6,672 tonnes. Late price holders rose again, up by 1,450,000 ounces to a total of 17,250,000 ounces.

Gilles Merritt in Brussels writes: Belgium's major aluminium producer, Aluminerie du Luxembourg, has issued a formal statement setting out its relationship with NRT Metals, the New York metals trading house that has gone into voluntary liquidation. Banque Bruxelles Lambert, the banking side of the group that also owns Belgium's second largest bank, has emphasised in a communiqué that it has no shareholding in NRT Metals and, therefore, risks no financial responsibility for the New York concerns' liquidation.

But the Belgian group states that Intercon, a subsidiary of the Compagnie Bruxelles Lambert financial holdings arm, is a minority shareholder in NRT Metals. In its annual report for the year ended September 30, 1979, Compagnie Bruxelles Lambert listed both Intercon and the NRT International trading network, together with the majority owned Keystone Resources, as its primary investments in the trading area of its financial services operation.

French farm protest in London

CONTINENTAL FARMERS plan to march on the Ministry of Agriculture in London today (Tuesday) to protest at the British ban on imports of milk.

Producers from France, Belgium and Holland will gather in Trafalgar Square in the morning to distribute leaflets calling for an end to the health restrictions which keep Continental milk out of the country. They will then proceed to the Ministry bearing protest banners and deliver a strongly worded letter addressed to Mr. Peter Walker, the Minister of Agriculture.

British refuses to accept Continental milk because it claims the sterilisation method used—ultra-heat treatment—does not guarantee the elimination of all germs, especially foot and mouth disease. The Continental milkers believe this is merely an excuse, however. They insist that their milk is perfectly sterile and fit for the British market. And they appear to have the support of the British Commission.

Last month the Commission wrote in Mr. Walker demanding an explanation of the British restrictions. If this is not accepted Britain could find itself before the European Court and UK milk production in their hitler projected market.

Guyana beating sugar disease

THE STATE-OWNED Guyanese sugar industry expects to rid itself by next year of the dreaded disease, smut, which struck in 1974 and forced a concerted programme of eradication.

The industry puts over 100,000 acres under the plough annually and the smut-eradication programme has been ploughing out and replanting some 35,000 acres of smut-prone varieties.

Mr. Bob Bihm, manager of the Sugar Experimentation Station, reported that by 1981, the disease will be "of no economic consequence" to the industry, and the immediate result should be increased levels of production.

He explained that on panicking had taken place following the detection of smut six years ago.

INTERNATIONAL COMMODITY AGREEMENTS

Cocoa pact collapses

BY JOHN EDWARDS, COMMODITIES EDITOR

THE INTERNATIONAL Cocoa Agreement expired at midnight yesterday dealing a severe blow to efforts being made for greater commodity price stabilisation. Representatives from cocoa producing and consuming ended marathon talks in London that lasted until Saturday night without being able to agree on either extending the present agreement or negotiating a new pact.

As a result the agreement is to be wound up, and the \$220m buffer stock, accumulated over the years for market support operations, will be divided up among the producing countries.

The collection of the levy on cocoa exports, used to finance the buffer stock fund, ceases from today but it is expected to be three months at least before the first payment representing 40 per cent of the total fund will be made to producing countries. The remaining 60 per cent, tied up in bank deposits, will be distributed by March, 1981.

Meanwhile, the Cocoa Council is to meet again on June 4 solely to wind up the operation of the International Cocoa Organisation since it is felt that at this stage there is little hope of negotiating a new pact.

The talks in London were marked with considerable acrimony on both sides, who appeared suspicious of each other's motives.

The apparent main source of disagreement was over the minimum "floor" price to be written into the Agreement. The "floor" and "ceiling" price range fixed under the Agreement has been consistently well below market prices ever since the first cocoa pact came into existence in June 1973. Hence the failure of the buffer stock ever to come into action. So producers were determined to achieve more meaningful figures in any new pact.

At the negotiating conference last year producing and consuming countries gradually shifted their positions and finally were unable to bridge the gap between a minimum of 120 cents wanted by producers and 100 cents favoured by consumers. It was expected that a compromise could be reached in further talks this year. Accordingly the agreement was extended for a further six months beyond its original expiry date of September 30, 1979.

In the interim, however, cocoa prices came down sharply as a result of a surplus of supplies developing and the producing countries, led by the Ivory Coast and Brazil, announced a plan to stop selling below a certain price level and form a fund, similar to the Bogota Fund used by coffee producers, to sustain prices with the use of stockpiling and market support operations. It was suggested that the buffer

stock fund accumulated by the Cocoa Agreement could provide a core for the proposed producer fund.

So the producers returned to negotiations for a new cocoa pact with a determined attitude not to accept anything less than a guaranteed minimum of 120 cents a pound, which they claimed had already been eroded by inflation and rising costs of production.

Consumers, particularly the UK, were also in a more belligerent mood. The "bawks" and "doves" led by Britain and the Nordic countries respectively, could not agree a common line. But in the end they compromised considerably, offering to negotiate a new agreement starting from the basis of a minimum of 110 to 120 cents. The implication was that, if pushed, the 120 cents minimum might be conceded but that normal negotiations should be held. In return, however, they insisted that the agreement should be extended, including the buffer stock, instead of being transformed into a pact, without economic clauses, as the producers wanted enabling the buffer stock fund to be released.

This softer line was firmly rejected by producers, who claimed that a 120 cents minimum must be guaranteed before any negotiations started. The impression was they were more interested in obtaining the

buffer stock fund than a new pact. The unfortunate casualty of this dispute is the International Cocoa Organisation, which has provided a useful forum for producers and consumers to exchange ideas and information, if not fulfilling its major objective of stabilising the market.

It is by no means certain that the buffer stock funds, returned to producers, will be used for market support operations. Some producers, notably Ghana, are believed to be somewhat lukewarm to the idea of attempting to control market prices, since it could be an expensive gamble the poorer countries can hardly afford.

But the breakdown of the Cocoa Agreement has much wider implications. It comes at a time when the failure to make much progress in the proposed commodity market stabilisation plans is undermining the whole North-South dialogue between developing countries and the industrialised.

The integrated commodities programme launched by the UN Conference on Trade and Development is already in serious trouble with disagreement over the proposed Common buffer stock fund and lack of progress in negotiating new commodity agreements. Cocoa is one of "core" commodities, listed under the programme and the collapse of the agreement will be viewed as a considerable setback.

Metals company dismisses employees

FINANCIAL TIMES REPORTER

LONCONEX, a ring-dealing member of the London Metal Exchange (LME), has now dismissed the three employees suspended last week in connection with police investigations into LME dealings.

Announcing the dismissals yesterday Mr. Michael Brown, managing director of Lonconex, a subsidiary of the U.S.-based primary industries group, stressed that the company was not itself involved in the investigations. He also denied suggestions in the Press over the weekend that the investigations were linked with last week's silver price crash. The suspected irregularities had nothing to do with silver, he said.

Wilson, Smitheth and Cope, another company named by the police, denied complicity in any suspect dealings on the metal exchange.

Mr. David Burt, a deputy chairman of the Guinness Peat group—Wilson, Smitheth and Cope's parent company—said the group had not suffered any losses or made any profit from any frauds.

Mr. Campbell Gray, of commodity brokers G. W. Joynton, the other company named by the police, yesterday declined to confirm that the company was involved.

He said he thought it improper to comment while police investigations were taking place.

Alcan lifts world price of aluminium

ALCAN has raised effective immediately, its international list price for 99.5 per cent primary aluminium ingot from \$1,600 per tonne to 1,730 per tonne, cif Hong Kong and Rotterdam with market differentials applicable on shipments to other destinations.

Alcoa's international price does not apply in Canada, the U.S., Britain or in those other markets where established domestic producer prices are published.

In Pittsburgh Alcoa increased its price for aluminium ingot from 66 to 72 cents per pound, effective today.

Australian aluminium deal with Japanese

ALUMINIUM GROUP, Alcoa of Australia, has obtained a long-term contract to supply aluminium metal to the Japanese group, Mitsubishi Light Metal Industries.

The contract involves the supply of 40,000 tonnes of aluminium a year over an initial 10-year period from 1983 and is valued at about \$400m. The metal will be supplied from a proposed new smelter to be built at Portland, Victoria, and would account for almost one-third of the capacity of the proposed plant. The contract is subject to the necessary governmental approvals and the building of the plant. Initial rated capacity will be 130,000 tonnes a

Soviet meat output up 13%

WASHINGTON—Meat production in the Soviet Union during the first two months of this year totalled just over 1.5m tonnes, a 13 per cent increase from the corresponding period last year, the U.S. Agriculture Department said.

Reuter

Sunflowerseed output boost

World sunflowerseed crushings, after a sluggish start, should expand sharply during the remainder of the current season, ending September 30, the Hamburg-based weekly publication "Oilworld" has predicted.

Reuter

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Firmers on the London Metal Exchange after overnight 1975 (p.m.) metal came under modest selling pressure, reflecting talk of a rise in stocks, and dipped to 1959 Confirmation of the stocks rise resulted in further nervous selling and these metals fell back to 1952 on the morning Bids. During the afternoon a higher-in-the-future opening on a commodity coupled with covering against physical business prompted a good rally with forward metal rising up to close the late hour at 875p, turnover 18,000 tonnes.

WIREBARS
CASH 860.1 -8 844.5 -11.5
5 months 859.8 -8 841.3 -12.5
Settling 861 -8 842.5 -13.5
CATHODES
CASH 890.5 -9 880.5 -9.5
5 months 891.2 -7 882.5 -8.5
Settling 894 -8 884.5 -9.5
U.S. PREC -8 894.102

Assignment Metal Trading reported that in the last three months, the bare metal of 1980-81, 62, 63, 65, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 00, 01, 02, 03, 04, 05, 06, 07, 08, 09, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 00, 01, 02, 03, 04, 05, 06, 07, 08, 09, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 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INDUSTRIALS—Continued

Stock	Price	Change	Volume	High	Low	Open	Close	Settle
Am. Express	100	+2	12	77.25	77.00	77.00	77.25	77.25
Am. Gas	100	+1	15	43.75	43.50	43.50	43.75	43.75
Am. Tobacco	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Water	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Zinc	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Iron	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Steel	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Copper	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Lead	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Tin	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Nickel	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Silver	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Gold	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Platinum	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Palladium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Rhodium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Iridium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Osmium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Selenium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Tellurium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Vanadium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Chromium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Manganese	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Cobalt	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Molybdenum	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Tungsten	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Zirconium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Niobium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Hafnium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Tantalum	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Vanadium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Chromium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Manganese	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Cobalt	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Molybdenum	100	+1	10	43.75	43.50	43.50	43.75	43.75
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Am. Zirconium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Niobium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Hafnium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Tantalum	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Vanadium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Chromium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Manganese	100	+1	10	43.75	43.50	43.50	43.75	43.75
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Am. Niobium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Hafnium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Tantalum	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Vanadium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Chromium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Manganese	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Cobalt	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Molybdenum	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Tungsten	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Zirconium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Niobium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Hafnium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Tantalum	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Vanadium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Chromium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Manganese	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Cobalt	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Molybdenum	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Tungsten	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Zirconium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Niobium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Hafnium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Tantalum	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Vanadium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Chromium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Manganese	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Cobalt	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Molybdenum	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Tungsten	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Zirconium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Niobium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Hafnium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Tantalum	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Vanadium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Chromium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Manganese	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Cobalt	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Molybdenum	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Tungsten	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Zirconium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Niobium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Hafnium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Tantalum	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Vanadium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Chromium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Manganese	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Cobalt	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Molybdenum	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Tungsten	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Zirconium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Niobium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Hafnium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Tantalum	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Vanadium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Chromium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Manganese	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Cobalt	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Molybdenum	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Tungsten	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Zirconium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Niobium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Hafnium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Tantalum	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Vanadium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Chromium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Manganese	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Cobalt	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Molybdenum	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Tungsten	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Zirconium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Niobium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Hafnium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Tantalum	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Vanadium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Chromium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Manganese	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Cobalt	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Molybdenum	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Tungsten	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Zirconium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Niobium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Hafnium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Tantalum	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Vanadium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Chromium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Manganese	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Cobalt	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Molybdenum	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Tungsten	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Zirconium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Niobium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Hafnium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Tantalum	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Vanadium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Chromium	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Manganese	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Cobalt	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Molybdenum	100	+1	10	43.75	43.50	43.50	43.75	43.75
Am. Tungsten	100	+1	10	43.75	43.50	43.50	43.75	43.75

INSURANCE—Continued

[illegible]**PROPERTY—Continued**[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]**FINANCE LAND—Continued**

Stock	Price	↑	↓	Ch
Am. Euro. Gro.	25	-	-	-
Am. Ind. Gro.	125	-	-	-
Am. Merc.	105	-	-	-
Am. N. Ind.	105	-	-	-
Am. N. Ind. 1/2	105	-	-	-
Am. N. Ind. 1/4	105	-	-	-
Am. N. Ind. 1/8	105	-	-	-
Am. N. Ind. 1/16	105	-	-	-
Am. N. Ind. 1/32	105	-	-	-
Am. N. Ind. 1/64	105	-	-	-
Am. N. Ind. 1/128	105	-	-	-
Am. N. Ind. 1/256	105	-	-	-
Am. N. Ind. 1/512	105	-	-	-
Am. N. Ind. 1/1024	105	-	-	-
Am. N. Ind. 1/2048	105	-	-	-
Am. N. Ind. 1/4096	105	-	-	-
Am. N. Ind. 1/8192	105	-	-	-
Am. N. Ind. 1/16384	105	-	-	-
Am. N. Ind. 1/32768	105	-	-	-
Am. N. Ind. 1/65536	105	-	-	-
Am. N. Ind. 1/131072	105	-	-	-
Am. N. Ind. 1/262144	105	-	-	-
Am. N. Ind. 1/524288	105	-	-	-
Am. N. Ind. 1/1048576	105	-	-	-
Am. N. Ind. 1/2097152	105	-	-	-
Am. N. Ind. 1/4194304	105	-	-	-
Am. N. Ind. 1/8388608	105	-	-	-
Am. N. Ind. 1/16777216	105	-	-	-
Am. N. Ind. 1/33554432	105	-	-	-
Am. N. Ind. 1/67108864	105	-	-	-
Am. N. Ind. 1/134217728	105	-	-	-
Am. N. Ind. 1/268435456	105	-	-	-
Am. N. Ind. 1/536870912	105	-	-	-
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MINES—Continued
CENTRAL AFRICAN

NO.	Lot	Stock	Price	±	Chg.	Cy
30	275	Coronation	2820	+	1050c	2.2
31	75	Falcon RS 50c	6000	+	1050c	1.8
32	75	Good Hope 25c	180	-	1050c	1.8
33	75	Road Core 24	180	+10	100.12	1.8
34	75	Wanda Col. 24	57	-	100	1.8
35	75	Zan. Cr. \$200.24	29	-	100	1.8
AUSTRALIAN						
25	22	Asbestos 50c	73	±		2.2
26	75	Band Corp.	23	±		2.2
27	75	Bentley 50c	23	±		2.2
28	75	Bentley 50c	23	±		2.2
29	75	Bentley 50c	23	±		2.2
30	75	Bentley 50c	23	±		2.2
31	75	Bentley 50c	23	±		2.2
32	75	Bentley 50c	23	±		2.2
33	75	Bentley 50c	23	±		2.2
34	75	Bentley 50c	23	±		2.2
35	75	Bentley 50c	23	±		2.2
36	75	Bentley 50c	23	±		2.2
37	75	Bentley 50c	23	±		2.2
38	75	Bentley 50c	23	±		2.2
39	75	Bentley 50c	23	±		2.2
40	75	Bentley 50c	23	±		2.2
41	75	Bentley 50c	23	±		2.2
42	75	Bentley 50c	23	±		2.2
43	75	Bentley 50c	23	±		2.2
44	75	Bentley 50c	23	±		2.2
45	75	Bentley 50c	23	±		2.2
46	75	Bentley 50c	23	±		2.2
47	75	Bentley 50c	23	±		2.2
48	75	Bentley 50c	23	±		2.2
49	75	Bentley 50c	23	±		2.2
50	75	Bentley 50c	23	±		2.2
51	75	Bentley 50c	23	±		2.2
52	75	Bentley 50c	23	±		2.2
53	75	Bentley 50c	23	±		2.2
54	75	Bentley 50c	23	±		2.2
55	75	Bentley 50c	23	±		2.2
56	75	Bentley 50c	23	±		2.2
57	75	Bentley 50c	23	±		2.2
58	75	Bentley 50c	23	±		2.2
59	75	Bentley 50c	23	±		2.2
60	75	Bentley 50c	23	±		2.2
61	75	Bentley 50c	23	±		2.2
62	75	Bentley 50c	23	±		2.2
63	75	Bentley 50c	23	±		2.2
64	75	Bentley 50c	23	±		2.2
65	75	Bentley 50c	23	±		2.2
66	75	Bentley 50c	23	±		2.2
67	75	Bentley 50c	23	±		2.2
68	75	Bentley 50c	23	±		2.2
69	75	Bentley 50c	23	±		2.2
70	75	Bentley 50c	23	±		2.2
71	75	Bentley 50c	23	±		2.2
72	75	Bentley 50c	23	±		2.2
73	75	Bentley 50c	23	±		2.2
74	75	Bentley 50c	23	±		2.2
75	75	Bentley 50c	23	±		2.2
76	75	Bentley 50c	23	±		2.2
77	75	Bentley 50c	23	±		2.2
78	75	Bentley 50c	23	±		2.2
79	75	Bentley 50c	23	±		2.2

COPPER

MISCELLANEOUS					
60	78 1/2	Anglo-Dominion ..	136	+15	—
97	58	Baymain	70	-2	—
142	12	Barron Mills 17 1/2	13 1/2	—	—
320	330	Cons. Murch. 10 1/2	469	+28	1.8
85	325	Northgate Cst.	390	+25	—
85	327	R.T.Z.	948	+6	3.4
33	16	Royal Mines	26	—	—
98	27	Sabine Inds. Cst.	27	-3	—
50	485	Farm Exptn. \$1	510	+10	—

NOTES

unless otherwise indicated, price and net dividends are in pence and stock exchanges are 25p. Estimated performance ratios are based on latest annual reports and accounts and, where available, are quoted on half-yearly figures. FYES are calculated as net distribution plus earnings per share (basic computation) after taxation and allowable ACT where applicable. Dividend figures include 10 ppc pay or more otherwise indicated as "all" distribution. Covers are based on "weighted" distribution; this compares gross dividend paid to profit before taxation, excluding exceptional professional fees that include the estimated extent of gnt250% ACT. Yields are based on ex-dividend price, gross, collected by ACT at 30 per cent and after the 10 ppc declared dividend and rights.

and Lows marked thus have been adjusted to all

Issues for cash.
Interest since increased or resumed.
Interest since reduced, passed or deferred.
Tax-free to non-residents on application.
Figures or report awaited.
Unfitted security.
Price at time of suspension.
Indicated dividend after pending scrip and/or rights issue: n
relates to previous dividends or forecasts.
Merger bid or reorganisation in progress.
Not comparable.

dividend; cover on earnings updated by I

Cover allows for conversion of shares and now raising for dividend or raising only for restricted dividend.
Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
Excluding a final dividend declaration.
Represents price.
No par value.
Yield based on assumption Treasury Bill Rate stays unchanged at maturity of stock. A Tax free. B Figures based on proportion or a statistical estimate. C Cents. D Dividend rate paid or payable on par value. E Cover based on dividend on full capital. F Redemption value. G Price yield. H Assumed dividend and yield. I Assumed dividend and price after scrip issue. J Payment from capital sources. K Redemption value.

based on preliminary figures. $\frac{\text{Dividend and}}{\text{Payment, \& indicated dividend cover relates}}$

dividend, P/E ratio based on latest annual earnings. **J** Forecasted: lower based on previous year's earnings. **V** True up or add back to the **Z**. **W** Yield allows for currency change. **X** Dividend and yield based on merger terms. **Y** Dividend and yield include a special payment. **Z** Dividend and yield based on current earnings. **AA** Dividend and yield does not apply to special payment. **AB** Dividend and yield based on preference dividend paid or deferred. **AC** Canadian. **AD** Minimum dividend price. **AE** Dividend and yield based on prospectus or other official estimates for 1979-82. **AF** Assumed dividend and yield after payment of another rights issue. **AG** Dividend and yield based on prospectus or other official estimates for 1978-79. **AH** Figures based on prospectus or other official estimates for 1979-80. **AI** Dividend and yield based on prospectus or other official estimates for 1979-80.

prospects or other official estimates for 1979-
prospects or other official estimates for 1978-

REGIONAL MARKETS

Op	16323		12/28/97
		Com. 9%	'20152

[illegible]

OPTIONS.

3-month Call Rates

Centrais	8	L.C.I.	32	Utd. Drapery	8
Brew	8	"Jones"	32	Vickers	8
C. Int.	5	L.C.I.	45	Woolworths	8
C.R.	5	Invack	5		
Donch	13	LeCarbide	15	Property	
Days Bank	23	Legat & Co.	24	Brit. Land	7
Deham	24	Lex Service	10	Cap. Counties	9
De Circle	25	Lyons Bank	20	Cap. Secs	

17	"Le's" _____	3 1/2	MEPC _____
16	London Brick _____	6	Peachey _____
25	Lucas Loh _____	20	Samuel P. _____

Wn (A)	7	"Blanc"	14	Summit Pkwy.	
Wn (A)	22	Mills & Spencer	15	Thru & City	
Wn (A)	23	Richard Bank	16		
Wn (A)	24	A.E.I.	17		
Wn (A)	25	Max. West Bank	18	Shell Petroleum	2
Wn (A)	26	P 30 DM	19	Stratco Oil	1
Wn (A)	27	Finney	20	Charterhall	1
Wn (A)	28	Roast Elect	21	HCA	1
Wn (A)	29	R.N.B.I.	22	Presner	1
Wn (A)	30	Bank Org.	23	Shell	1
Wn (A)	31	Rock Intnl.	24	Thercontrol	1

DATE _____
MILEAGE _____
TOTAL _____

AN	22	Trust Houses	14	Charter Cons.	24
AN	22	Tute Invest.	27	Cons. Gold	24
Warrior Ship	15	Uniflow	40	Lombia	24
Use of Fraser	12	U.D.T.	4	Rio T. Zinc	24

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 34

throughout the United Kingdom for a fee of £100 per week, exclusive of VAT.

19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100 101 102 103 104 105 106 107 108 109 110 111 112 113 114 115 116 117 118 119 120 121 122 123 124 125 126 127 128 129 130 131 132 133 134 135 136 137 138 139 140 141 142 143 144 145 146 147 148 149 150 151 152 153 154 155 156 157 158 159 160 161 162 163 164 165 166 167 168 169 170 171 172 173 174 175 176 177 178 179 180 181 182 183 184 185 186 187 188 189 190 191 192 193 194 195 196 197 198 199 200 201 202 203 204 205 206 207 208 209 210 211 212 213 214 215 216 217 218 219 220 221 222 223 224 225 226 227 228 229 230 231 232 233 234 235 236 237 238 239 240 241 242 243 244 245 246 247 248 249 250 251 252 253 254 255 256 257 258 259 260 261 262 263 264 265 266 267 268 269 270 271 272 273 274 275 276 277 278 279 280 281 282 283 284 285 286 287 288 289 290 291 292 293 294 295 296 297 298 299 300 301 302 303 304 305 306 307 308 309 310 311 312 313 314 315 316 317 318 319 320 321 322 323 324 325 326 327 328 329 330 331 332 333 334 335 336 337 338 339 340 341 342 343 344 345 346 347 348 349 350 351 352 353 354 355 356 357 358 359 360 361 362 363 364 365 366 367 368 369 370 371 372 373 374 375 376 377 378 379 380 381 382 383 384 385 386 387 388 389 390 391 392 393 394 395 396 397 398 399 400 401 402 403 404 405 406 407 408 409 410 411 412 413 414 415 416 417 418 419 420 421 422 423 424 425 426 427 428 429 430 431 432 433 434 435 436 437 438 439 440 441 442 443 444 445 446 447 448 449 450 451 452 453 454 455 456 457 458 459 460 461 462 463 464 465 466 467 468 469 470 471 472 473 474 475 476 477 478 479 480 481 482 483 484 485 486 487 488 489 490 491 492 493 494 495 496 497 498 499 500 501 502 503 504 505 506 507 508 509 510 511 512 513 514 515 516 517 518 519 520 521 522 523 524 525 526 527 528 529 530 531 532 533 534 535 536 537 538 539 540 541 542 543 544 545 546 547 548 549 550 551 552 553 554 555 556 557 558 559 560 561 562 563 564 565 566 567 568 569 570 571 572 573 574 575 576 577 578 579 580 581 582 583 584 585 586 587 588 589 590 591 592 593 594 595 596 597 598 599 600 601 602 603 604 605 606 607 608 609 610 611 612 613 614 615 616 617 618 619 620 621 622 623 624 625 626 627 628 629 630 631 632 633 634 635 636 637 638 639 640 641 642 643 644 645 646 647 648 649 650 651 652 653 654 655 656 657 658 659 660 661 662 663 664 665 666 667 668 669 670 671 672 673 674 675 676 677 678 679 680 681 682 683 684 685 686 687 688 689 690 691 692 693 694 695 696 697 698 699 700 701 702 703 704 705 706 707 708 709 710 711 712 713 714 715 716 717 718 719 720 721 722 723 724 725 726 727 728 729 730 731 732 733 734 735 736 737 738 739 740 741 742 743 744 745 746 747 748 749 750 751 752 753 754 755 756 757 758 759 760 761 762 763 764 765 766 767 768 769 770 771 772 773 774 775 776 777 778 779 780 781 782 783 784 785 786 787 788 789 790 791 792 793 794 795 796 797 798 799 800 801 802 803 804 805 806 807 808 809 810 811 812 813 814 815 816 817 818 819 820 821 822 823 824 825 826 827 828 829 830 831 832 833 834 835 836 837 838 839 840 841 842 843 844 845 846 847 848 849 850 851 852 853 854 855 856 857 858 859 860 861 862 863 864 865 866 867 868 869 870 871 872 873 874 875 876 877 878 879 880 881 882 883 884 885 886 887 888 889 890 891 892 893 894 895 896 897 898 899 900 901 902 903 904 905 906 907 908 909 910 911 912 913 914 915 916 917 918 919 920 921 922 923 924 925 926 927 928 929 930 931 932 933 934 935 936 937 938 939 940 941 942 943 944 945 946 947 948 949 950 951 952 953 954 955 956 957 958 959 960 961 962 963 964 965 966 967 968 969 970 971 972 973 974 975 976 977 978 979 980 981 982 983 984 985 986 987 988 989 990 991 992 993 994 995 996 997 998 999 1000 1001 1002 1003 1004 1005 1006 1007 1008 1009 1010 1011 1012 1013 1014 1015 1016 1017 1018 1019 1020 1021 1022 1023 1024 1025 1026 1027 1028 1029 1030 1031 1032 1033 1034 1035 1036 1037 1038 1039 1040 1041 1042 1043 1044 1045 1046 1047 1048 1049 1

